

# Weekly market review

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A look back at the previous week's markets.

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**Clever.**

# A look back at the markets...

- **Euro Zone Economy Surges in Q1 2024, Inflation Holds Steady**
- **Fed Holds Steady Amid Inflation Concerns**
- **Natural Gas Surges, Crude Oil Declines**
- **Microsoft Strikes Massive Carbon Removal Deal**

## Market Recap.

Equities staged a rally at the latter part of the week, with the FTSE 100 ETF (+0.89%), Nasdaq 100 ETF (0.85%) leading, whilst the Dow Jones ETF (+0.76%) ran close in third place. The S&P 500 ETF (+0.26%) was muted in comparison.

## News.

The euro zone economy grew by more than expected in the first quarter of 2024, buoyed by a return to growth for Germany and strong expansion in Spain, preliminary data from the European statistics agency Eurostat showed. Inflation was 2.40% in April, the same as in March and matching expectations for a steady reading in a Reuters poll of analysts.

Gross domestic product increased by 0.30% quarter-on-quarter for a 0.50% year-on-year rise, compared with market expectations that both would expand by just 0.20%.

## Geopolitics.

Polish Prime Minister Donald Tusk has said that in order for Europe to avoid conflicts and be safe it must increase its defence capabilities, and he repeated his call for the construction of a common European air defence system.

In the face of the conflict in Ukraine, Poland is strengthening its defence capabilities, allocating over 4% of its Gross Domestic Product. Tusk said EU countries should take joint action to increase spending on defence by at least 100 billion euros (\$107 billion).

## Inflation.

Euro zone inflation held steady as expected in April but a crucial indicator on underlying price pressures slowed, solidifying an already strong case for the European Central Bank to cut interest rates in June. Inflation was 2.40% in April, the same as in March and matching market expectations.

The ECB all but promised a rate cut on June 6, provided there is no nasty surprise in wage or price developments, and Tuesday's data remain consistent with the path the bank saw in its last round of projections in March.

## ESG.

Microsoft has signed its largest ever carbon removal deal with Swedish energy company Stockholm Exergi. The 10-year offtake agreement provides Microsoft with more than 3.3 million tonnes of carbon removal certificates from its planned bio-energy with carbon capture and storage (BECCS) at Värtan, Stockholm.

## Central Banks.

The U.S. Federal Reserve held interest rates steady and signaled it is still leaning towards eventual reductions in borrowing costs, but put a red flag on recent disappointing inflation readings that could make those rate cuts a while in coming.

Indeed, Fed Chair Jerome Powell said that after starting 2024 with three months of faster-than-expected price increases, it "will take longer than previously expected" for policymakers to become comfortable that inflation will resume the decline towards 2% that had cheered them through much of last year.

## Commodities.

Natural Gas gained 10.25% for the week, trading around a four-month high, supported by rising demand forecasts and a 9.00% decrease in production in 2024. Crude oil declined by 3.00% for the week as ample supply outweighed concerns around geopolitical risk and ongoing conflict in the Middle East. Elsewhere, Wheat and Soybeans both gained around 7.50% for the week although for Wheat, drought conditions in the US have eased which gives hope to additional supply, whilst in Brazil, 34% of the Soybean crop has been affected by flooding.

## Week Ahead.

Of the major releases this week, the UK announces its interest rate decision on Thursday with markets expecting rates to stay unchanged at 5.25%. And on Friday, the UK publishes its GDP growth figures with Quarter-on-Quarter growth expected to be 0.40% against -0.30% prior.

### Sources:

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Market recap - Data sourced from FE FundInfo & Koyfin. ETFs quoted: iShares Core FTSE 100 UCITS ETF, iShares Core S&P 500 UCITS ETF, iShares Nasdaq 100 UCITS ETF (quoted in Pounds Sterling).

News - Euro zone grows more than expected in Q1 after recession, By Philip Blenkinsop, Reuters, 30/04/24

Inflation - Euro zone inflation steady in April, reinforcing ECB rate cut case, By Balazs Koranyi, Reuters, 30/04/24

Central Banks - Fed leaves rates unchanged, flags 'lack of further progress' on inflation, By Howard Schneider and Ann Saphir, Reuters, 02/05/2024

ESG - Microsoft Signs Largest-Ever 3.3 Million Tonne Carbon Removal Deal with Stockholm Exergi, by Mark Segal, ESG Today, 06/05/24

Geopolitics - Europe must increase defence capabilities to be safe, says Poland's Tusk, By Pawel Florkiewicz and Anna Wlodarczak-Semczuk, Reuters, 07/04/24

Commodities - Data sourced from Koyfin and Investing.com

Week ahead - Data sourced from Investing.com

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