

Weekly market review

29th January 2024.

A look back at the previous week's markets.

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A look back at the markets...

- **Fourth Quarter GDP Report Signals Delay in Rate Cuts**
- **US Launches Operation Against Chinese Hacking**
- **Grocery Price Inflation Eases to 6.8% in January**
- **ECB Holds Key Rate at 4% Amid Falling Inflation**

Market Recap.

For the first time in a while, the FTSE 100 ETF led for the week, rallying by 1.99%. The S&P 500 ETF was in second place, adding 1.11% whilst the Nasdaq 100 ETF was relatively quiet, gaining 0.66% for the week. Although positive, the Dow Jones Industrial Average ETF was quieter still, up by 0.45%.

News.

The U.S. economy grew faster than expected in the fourth quarter amid strong consumer spending, and shrugged off dire predictions of a recession after the Federal Reserve aggressively raised interest rates, with growth for the full year coming in at 2.5%.

The Commerce Department's advance fourth-quarter gross domestic product report on Thursday also showed inflation pressures subsiding further. The strong economic performance, which appears to have spilt over into the new year, suggested that March would be too soon for the U.S. central bank to start cutting interest rates.

Geopolitics.

The U.S. government in recent months launched an operation to fight a pervasive Chinese hacking operation that successfully compromised thousands of internet-connected devices, according to two Western security officials and one person familiar with the matter. The Justice Department and Federal Bureau of Investigation sought and received legal authorisation to remotely disable aspects of the Chinese hacking campaign, the sources told Reuters.

Inflation.

British grocery price inflation declined at a slower rate in January as the proportion of items purchased on promotion dropped compared to December.

Market researcher Kantar said annual grocery price inflation was 6.8% in the four weeks to Jan. 21, down from a re-stated 6.9% in the previous four-week period. The softer decline in January compares with a 2.2 percentage point decrease seen between November and December 2023.

Central Banks.

The European Central Bank left its key interest rate at a record-high 4% on Thursday and noted underlying inflation had continued to fall, also thanks to high borrowing costs. "The declining trend in underlying inflation has continued, and the past interest rate increases keep being transmitted forcefully into financing conditions," the ECB said.

With Thursday's decision, the ECB left the rate it pays on bank deposits at 4.0% - its highest level since the ECB was created - and repeated it would stay there for some time.

Commodities.

Natural Gas, fell by an additional 16% for the week output is expected to increase after falling to a 12-month low last week mainly due to freeze-offs (frozen production sites).

ESG.

Climate tech startup CHOOOSE announced the launch of a new partnership with energy giant bp, aimed at enhancing its decarbonisation solutions for the aviation industry, and helping airlines to meet their sustainability obligations. As part of the partnership, bp is making a strategic investment in CHOOOSE. Founded in 2017, Norway-based CHOOOSE provides a software-as-a-service (SaaS) platform enabling companies to build and run climate programs that allow customers to track, understand, and reduce emissions.

Week Ahead.

The EU publishes its GDP figures on Tuesday, with the market expecting 0.00% growth, year on year. On Wednesday, the Federal Reserve announces its interest rate decision, with rates expected to be held at 5.50%. The EU is back in the spotlight on Thursday, as it publishes CPI (inflation) figures, with 2.80% expected (2.90% prior). Also on Thursday, the US releases its Manufacturing PMI figures, a leading economic indicator, which is expected to show a slower pace of contraction.

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 - US economy brushes aside recession fearmongering with strong Q4 performance By Lucia Mutikani, Reuters, 25/01/24

Inflation - UK grocery price inflation falls at slower rate -Kantar, by James Davey, Reuters, 30/01/24

Central Banks - ECB leaves rate at record high, notes fall in underlying inflation, by Francesco Canepa, Reuters, 25/01/2024

ESG - bp Invests in Aviation Decarbonization Solutions Provider CHOOOSE, by Susan Lahey, ESG Today, 26/01/24

Geopolitics - US disabled Chinese hacking network targeting critical infrastructure By Christopher Bing and Karen Freifeld, Reuters 30/01/24

Commodities - Data sourced from Koyfin and Investing.com

Week ahead - Data sourced from Investing.com

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