



# » Weekly Investment Update

3<sup>rd</sup> May 2024

## News Headlines

**US Federal Reserve** – The US Federal Reserve (the Fed) announced this week that interest rates would remain unchanged at their range of 5.25% - 5.50%. Citing disappointing inflation readings, Fed Chair, Jerome Powell, hinted that it 'will take longer than previously expected' for committee members to be confident that inflation will decline to the 2% target. Confirming that interest rates increases are unlikely, Powell has stated that 'inflation is still too high', suggesting that there may be a need for an extended hold of elevated interest rates. This has raised doubts about whether or not there will be interest rate cuts this year.

**Eurozone Inflation** – Eurozone headline inflation remained steady at 2.4%, matching the previous figure's number, reinforcing expectations that the European Central Bank (the ECB) will cut interest rates in June. Additionally, core inflation (excluding food and energy prices) slowed to 2.7% from 2.9% and services inflation eased to 3.7% from 4%. Despite the positive inflation readings, policymakers are concerned over rapid wage growth, rising energy costs and heightened geopolitical tensions.

## Market Summary

**Global Equities** – Global markets experienced a broad-based downturn this week, with major indices seeing negative returns. Global equities recorded a notable decline for the week, reflecting widespread selling across international markets. Similarly, in the United States, the S&P 500 Index experienced a significant drop of -0.69%, marking one of its worst weekly performances this year. On Wednesday, the Federal Reserve kept interest rates unchanged, prompting volatility in the US equity market. In contrast, Asian markets ended the week on a more positive note, with both the Nikkei 225 and Hang Seng indices seeing healthy gains as at Thursday's close. The Hang Seng index in particular saw a significant weekly rise of 3.15%, buoyed by gains in technology and financial sectors.

**Commodities** – The price of gold per ounce fell again for the second consecutive week, largely attributed to continuing easing of geopolitical tensions and the Federal Reserve's decision to keep interest rates unchanged.

Oil prices (Brent Crude & WTI) also fell this week, reaching a 7 week low on Wednesday, following the decision by the U.S. Federal Reserve to maintain interest rates and its cautionary note regarding stubborn inflation. These inflationary pressures may dampen economic expansion and could also limit the growth of oil demand.

**Fixed Income** – Yields on U.S. 10 Year Treasury bonds decreased following Federal Reserve Chair Jerome Powell's dovish remarks, with him stating a rate hike is unlikely to be the central bank's next move. UK 10 year Gilt yields were also down for the week, falling below the 4.3% mark.

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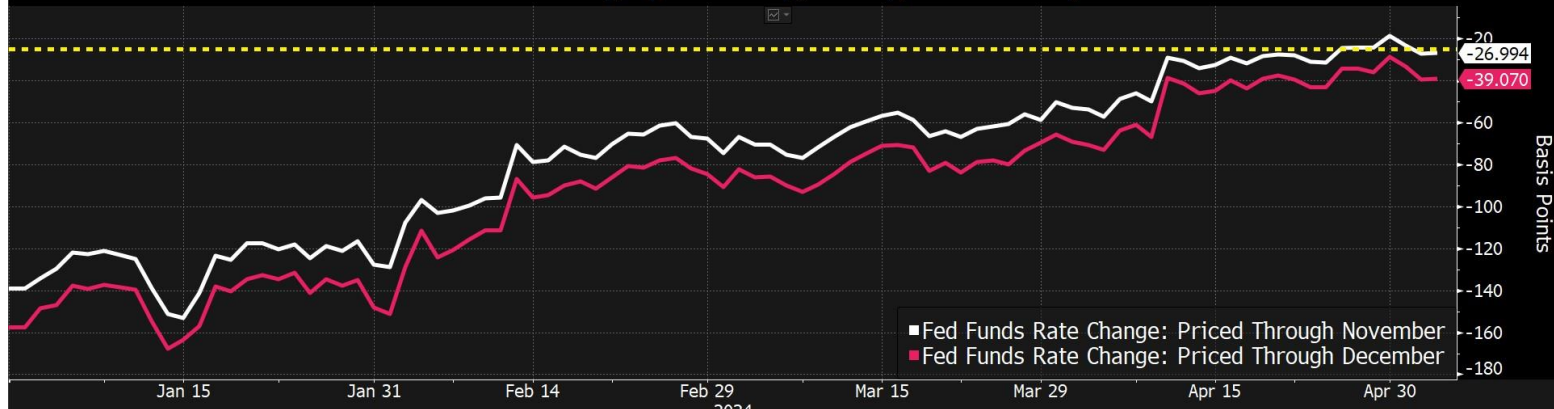


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## Chart of the Week

# November Fed Rate Cut Back in Play Traders inch closer to fully pricing a quarter-point reduction



Source: Bloomberg

## Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- Australia cash rate decision		- BoE interest rate decision	- China CPI yy

## Market Performance – 03/05/2024

Global Market Indices	2024 YTD %*
FTSE 100	7.22%
S&P 500	6.64%
STOXX 600	6.70%
Nikkei 225	15.08%
Hang Seng	7.36%
Fixed Income	Yield %
UK 10 Yr Gilt	4.29%
US 10 Yr Treasury	4.57%
Commodities	2024 YTD %
Gold	11.25%
Currency	
GBP/USD	1.25 (03/05/2024)
GBP/EUR	1.17 (03/05/2024)

Source: FE Analytics/ Bloomberg

\*Total Return/Local currency

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