

» Weekly Investment Update

31st May 2024



News Headlines

Eurozone Inflation – Eurozone inflation rose to 2.6% year-on-year in May, up from 2.4% in the previous two months, according to Eurostat’s flash estimate. This indicates that the European Central Bank (ECB) continues to face challenges in controlling prices. Despite this data, it is not expected to affect the ECB’s rate decision next week, where a cut is still likely. However, this development might strengthen the argument for adopting a more gradual approach to lowering interest rates in the upcoming months.

US Presidential Election – Donald Trump has become the first former US president to be convicted on criminal charges, following a New York jury’s decision in his hush-money case. The jury found him guilty on all 34 counts of falsifying business records. As Trump faces President Joe Biden in the upcoming election, this conviction presents significant legal and political hurdles. Trump, who denies the accusations and labelled the verdict a “disgrace,” could be sentenced to up to four years in prison. He is also embroiled in several other criminal trials related to his attempts to overturn the 2020 election results and his possession of classified national security documents. Despite these ongoing legal issues, Trump’s fundraising and political backing remain robust, with many polls showing him ahead of President Joe Biden.

Market Summary

Global Equities – This week, global equity markets experienced a notable downturn, with major indices reflecting broad-based losses across various regions, likely due to rising inflation concerns. This retreat could also be attributed to profit-taking after major indices achieved all-time highs last week. European stock markets are down for the week, with investors awaiting inflation data for the euro area. As of Thursday’s close, the FTSE 100 index dropped by 1.01%, and the Euro Stoxx 600 index by 0.67%. Similarly, US stock markets are also trending downward, with the S&P 500 down 1.29% over the week as of Thursday’s close, largely driven by losses in the technology sector. Furthermore, the anticipation of prolonged high interest rates has dampened sentiment, with investors awaiting the Personal Consumption Expenditure (PCE) index release, which is the Fed’s preferred inflation measure.

Commodities – Commodity prices generally mirrored stocks and declined over the week as of Thursday’s close, with the Bloomberg Commodity Index falling by 0.93%. Brent crude oil prices also fell, despite US crude oil inventories decreasing by more than expected. The weaker demand was largely driven by an increase in gasoline fuel inventories in the US. However, gold prices rebounded this week following US GDP data indicating the economy is slowing.

Fixed Income – Government bond yields increased for a second consecutive week, with investors still concerned about higher interest rates.

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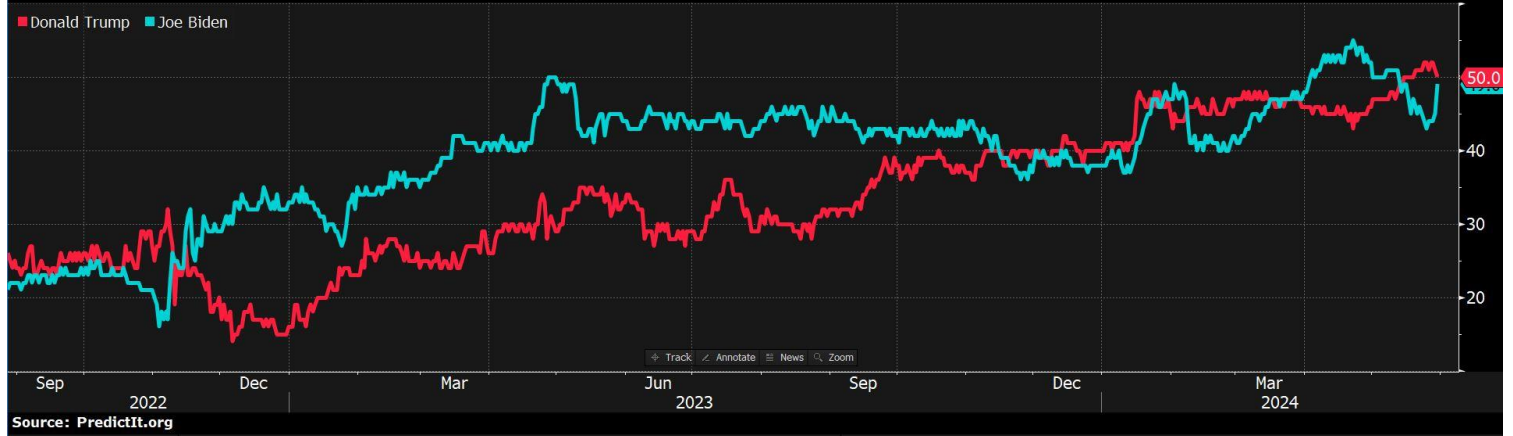
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Chart of the Week

2024 Presidential Race Odds

Biden closes gap following Trump verdict



Source: Bloomberg – Biden closes gap on Trump following verdict

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
-	-	- US ADP Employment Report	- ECB Rate Announcement - US Jobless Claims (Initial)	- Eurozone GDP yy and qq

Market Performance – 31/05/2024

Global Market Indices	2024 YTD %*
FTSE 100	8.40%
S&P 500	10.40%
STOXX 600	10.41%
Nikkei 225	14.59%
Hang Seng	8.27%
Fixed Income	Yield %
UK 10 Yr Gilt	4.36%
US 10 Yr Treasury	4.54%
Commodities	2024 YTD %
Gold	13.19%
Currency	
GBP/USD	1.27 (31/05/2024)
GBP/EUR	1.18 (31/05/2024)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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