

Global Share Markets

MSCI AC World Index ends the week higher

Global share markets ended the week slightly higher, according to the MSCI AC World Index, as investors weighed an improving inflation outlook versus recession fears. Growth stocks outperformed as moderating inflation gave hope of lower interest rates, which would increase the present value of future earnings.

US Economy

Signs of a slowing economy

The week saw the release of data showing a 1.1% drop in US retail sales and a 0.7% drop in industrial production in December, signaling that the economy is slowing. Inflationary pressures, meanwhile, appear to be moderating, with a 0.5% fall in producer prices in December.

China reopening

Data indicates stronger economy than forecast

Chinese equity markets rose for a fourth consecutive week amid reports suggesting better growth than anticipated. GDP rose by 2.9% in the fourth quarter. December's industrial output and retail sales indicators were also better than expected. Domestic flight numbers continue to rebound, indicative of a strong pick-up in economic activity following the reopening of the economy, although a lull is now expected due to the Lunar New Year celebrations.

Europe

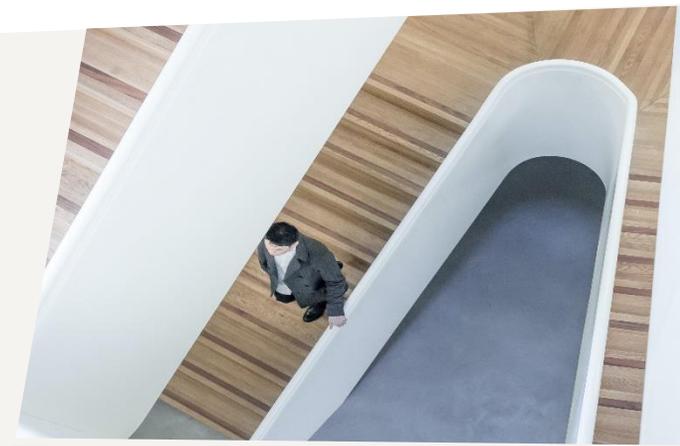
Stocks weaker on interest rate expectations

European share markets weakened following commentary from European Central Bank (ECB) policymakers that interest rates will continue to be raised significantly. ECB President Lagarde, at the World Economic Forum in Davos, dismissed the idea that a fall in energy prices would result in a slowing of rate rises. The minutes of the December ECB meeting showed substantial support for a 0.75% hike.

UK

BoE indicates possible lower peak in rates

UK inflation slowed for the second consecutive month to reach 10.5% in December. Average wage growth, meanwhile, was 6.4% higher in November than a year earlier. Unemployment remained near a record low. Bank of England Governor Andrew Bailey indicated in an interview that market expectations of rates peaking at 4.5% was not out of line with the central bank's own predictions.



“If you decide that you’re going to do only the things you know are going to work, you’re going to leave a lot of opportunity on the table.”

– JEFF BEZOS

The Story of the Week

King Charles III’s coronation plans announced

The UK’s King Charles III and Queen Consort Camilla will be crowned at Westminster Abbey on 6 May.

They will arrive for the service in procession and will later make an appearance on the balcony at Buckingham Palace. Sunday 7 May will include a lightshow at Windsor Castle, and street parties are expected to take place up and down the country. The Monday will be an extra bank holiday for the UK, with people encouraged to get involved in a local volunteering project.

Index performances and market data

Equity & Bond Markets (%) in Local Currency	2017	2018	2019	2020	2021	2022	2023 YTD (20/01)
MSCI AC World (Gross TR)	9.5	-4.3	29.6	7.2	21.4	-15.6	4.6
ISEQ Overall Return	9.5	-20.8	33.6	4.2	15.7	-14.5	10.0
Euro Stoxx 50 TR	10.0	-11.2	29.3	-2.6	24.1	-8.8	8.7
S&P 500 TR	7.0	0.4	33.9	8.6	28.7	-18.1	3.5
Nasdaq Composite	13.9	2.1	39.2	32.9	22.2	-32.5	6.5
Nikkei 225	10.3	-3.2	24.1	14.2	6.7	-7.3	1.8
MSCI Emerging Markets	21.0	-9.9	21.1	8.9	0.1	-15.2	7.2
Eurozone Government Bonds 1–5 yr	-0.2	0.0	1.1	0.6	-0.9	-7.2	0.9

Central Bank Rates (%)	2017	2018	2019	2020	2021	2022	2023 (20/01)
ECB	0.00	0.00	0.00	0.00	0.00	2.5	2.5
Bank of England	0.25	0.75	0.75	0.10	0.25	3.5	3.5
U.S. Federal Reserve	1.50	2.50	1.75	0.25	0.25	4.5	4.5

Sovereign 10yr Bond Yields (%)	2017	2018	2019	2020	2021	2022	2023 YTD (20/01)
U.S.	2.4	2.7	1.9	0.9	1.5	3.9	3.5
German	0.5	0.2	-0.2	-0.6	-0.2	2.5	2.1
UK	1.3	1.3	0.8	0.2	1.0	3.7	3.3
Japan	0.0	0.0	0.0	0.0	0.1	0.4	0.4
Ireland	0.7	0.9	0.1	-0.3	-0.3	-0.3	2.6
Italy	2.0	2.7	1.4	0.5	1.2	4.6	3.9
Greece	4.1	4.4	1.5	0.6	1.3	4.6	4.1
Portugal	1.9	1.7	0.4	0.0	0.0	0.0	3.0
Spain	1.5	1.4	0.5	0.0	0.6	3.6	3.1

Foreign Exchange Rates	2017	2018	2019	2020	2021	2022	2023 (20/01)
Euro/Dollar (€/\$)	1.20	1.14	1.12	1.22	1.14	1.1	1.01
Euro/Sterling (€/£)	0.89	0.90	0.85	0.90	0.84	0.9	0.88
Sterling/Dollar (£/\$)	1.35	1.27	1.32	1.37	1.35	1.2	1.24

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Sources: Factset / Bloomberg / Moneymate / MSCI

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