

Bank of Ireland

Market Update



12 April 2022

The long and short

Investing requires a long-term focus but shorter term events can take most of our attention. In this series of updates, we place current events into a longer term perspective.

The Long.....key lessons from investing

The bond market has made a big adjustment

Figure 1: Global bond market returns 1990-2022 (local currency)

Year	Return	Year	Return	Year	Return	Year	Return
1990	11.2%	2000	3.2%	2010	5.5%	2020	9.2%
1991	16.0%	2001	1.6%	2011	5.6%	2021	-4.7%
1992	5.8%	2002	17.1%	2012	4.3%	2022	-7.9%
1993	11.1%	2003	12.5%	2013	-2.6%		
1994	0.2%	2004	9.3%	2014	0.6%		
1995	19.7%	2005	-4.5%	2015	-3.2%		
1996	4.9%	2006	6.6%	2016	2.1%		
1997	3.8%	2007	9.5%	2017	7.4%		
1998	13.7%	2008	4.8%	2018	-1.2%		
1999	-5.2%	2009	6.9%	2019	6.8%		

Source: Bank of Ireland Investment Markets/Bloomberg April 2022

The world's bond markets have been going through a substantial adjustment in the 2021/22 period. For the previous decades, interest rates had been falling – which meant positive gains for bond investors. During the Covid-19 crisis of 2020, global central banks flooded the world's markets with support and this kept interest rates at all-time lows.

Now we are seeing this process being unwound as central banks increase interest rates and start the process of removing their pandemic support programmes. As a result, early 2022 has seen the steepest loss in bond markets in a generation with a 7.9% drop in 2022.

Kevin Quinn, Chief Investment Strategist, Investment Markets, 11.04.2022

The Short.....

Latest update from markets (as at 11.04.22)

	1 week	YTD
US shares	-2.8%	-2.7%
European shares	-2.7%	=10.2%
European government bonds	-2.2%	-7.5%
Global commodities	+0.3%	+33.0%

Source: Bloomberg 11.04.22, Calculated by S&P 500, Eurostoxx 50, with dividends reinvested, in euros. Week to date calculated over past 5 trading days.

Market news:

- The global bond market decline continued with some suggesting the US Federal Reserve needs to raise rates above 4% to cool the US economy. This brought US 10 year yields as high as 2.72% (as bond prices fell) and the German 10 year yield reached 0.72%.
- The US dollar reached a two year high - as a combination of fears over the Ukraine conflict and US interest rate rises gave it momentum.
- The French presidential election looms large. A closer run off than expected is likely between incumbent President Macron and right wing Marine Le Pen.
- Quarter 1 company earnings season will begin soon. Bloomberg's estimates for US S&P 500 company earnings has risen since January 1 - an unusual event in itself but especially so given the backdrop.
- EU bans coal imports from Russia, the first time the block has targeted Russia's energy sector.
- S&P declares Russia in default.
- US inflation "extraordinarily elevated" according to White House

Source: Bloomberg 11.04.2022

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5 year historic performances

	2017	2018	2019	2020	2021
Global Equities	7.5%	-4.9%	28.9%	6.6%	27.5%
US equities	6.9%	-0.5%	33.9%	8.6%	39.3%
European equities	11.4%	-12.0%	29.8%	-2.3%	23.8%
Emerging markets equities	21.2%	-10.0%	21.8%	8.7%	4.2%
Global bonds	1.0%	-1.1%	5.3%	4.9%	-2.63%
US governments	-10.6%	5.9%	8.8%	-2.2%	5.4%
European governments	0.1%	0.9%	6.8%	5.0%	-3.5%
Emerging market debt	-3.7%	0.6%	17.1%	-3.2%	4.3%
Broad Commodities	-12.4%	-6.8%	9.8%	-11.0%	36.5%
Oil	3.2%	-15.5%	25.1%	-27.9%	61.2%
Gas	-30.4%	4.5%	-24.1%	6.5%	57.7%
Wheat	-8.2%	23.7%	13.2%	5.3%	29.2%
Global hedge funds	-3.7%	0.9%	12.6%	2.7%	18.3%
Liquid absolute return	+4.0%	-8.2%	5.1%	0.4%	4.3%

Source: Bloomberg 06.04.22

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Warning: The value of your investment may go down as well as up.

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Warning: These funds may be affected by changes in currency exchange rates.

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