Equity Markets

Equity markets continued their bull run last week as economic numbers and company earnings numbers continued to beat market expectations. Market commentators are wondering if the significant rally over the last two months can be sustained. Is this a ‘bear market rally’ or a return to an appetite from investors to return to more risky assets?

This week we can expect to see the results of the U.S. Governments stress on U.S. banks test and more significant economic indicators. These events may test investor appetite for equities.

Ireland

Irish stocks led by the banks enjoyed significant gains last week despite the rating agency S&P saying they may look at further downgrading its rating for AIB and Bank of Ireland. The agency had already lowered the long-term ratings of the two banks in February from A+ to A.

It said it was putting the two banks on 'credit watch with negative implications' following the Government's announcement of its plan to transfer risky loans from the banks to the National Asset Management Agency.

According to press articles over the weekend Anglo Irish bank is to ask the government for a further €2.5 billion in order to keep its capital above minimum levels as required under its banking license.

Interest rates

The ECB will meet this week amid speculation that interest rates will be cut a further 0.25% to 1%. The ECB is also expected to outline its plans on quantitative easing which are thought to be similar to those pursued by the U.S and the U.K. The Bank of England also meets this week rates are expected to stay on hold at 0.5%.

Bank deposit rates remained static since last week with 1 year rates around 4.4% and 6month rates 3.5%

Commodities

Commodity prices rose last week as U.S. economic numbers suggested an upturn in economic demand which supported prices especially in oil and gold. Oil may well break higher this week as its price continues to follow equity markets. This week’s economic numbers and oil storage data will be the catalysts.