

Weekly Investment Update

14th May 2021



News Headlines

US inflation – US CPI inflation jumped to 4.2% on a yearly basis in April, up from 2.6% in March, as the economic cycle picked up. The increase is the biggest rise in the CPI since 2008, coming in 0.6% higher than economists' estimates. Federal Reserve (Fed) officials made a statement after the data was released reiterating that single data points will not sway the central bank's monetary policies, insisting that higher inflation is transitory. Fed governor, Chris Waller, has forecast that inflation will remain above the target of 2% through 2022, though he acknowledged that persistent 4% monthly increase would be "very concerning".

Israel-Palestine conflict – The long running tensions between Israel and Palestine boiled over this week, leading to aggressive attacks from both sides. Both sides fired barrages of rockets into enemy territories, killing many civilians as the actions look like they are leading to an all-out-war. On Friday, Israel's ground forces fired artillery into the Hamas-run Gaza Strip after a four-day air assault failed to quell militant rocket attacks, sweeping aside international appeals for de-escalation. Tensions have been growing over the last few weeks, after clashes between Israel security forces and Palestinians in contested Jerusalem. Jerusalem, home to Jewish, Muslim and Christian shrines lies at the heart of the conflict, and competing claims to it have underpinned the latest confrontation.

US pipeline hack – The largest pipeline in the US, the Colonial Pipeline, became a victim of a sophisticated cyber-attack this week, shutting off US fuel supplies off for 6 days. The cyber-attack prompted fuel-hoarding in eastern states, as the US government declared a state of emergency across much of the east coast. The situation came to an end however, as Colonial Pipeline paid the hackers a 75 bitcoin ransom, worth as much as \$5 million in an attempt to restore service quickly.

Market Summary

Global Equities – Global stock markets tumbled over the week, with technology stocks and Asian indices bearing the brunt of the sell-off. Risk-off sentiment took hold as unexpectedly high inflation figures out of the US increased fears that the Federal Reserve's theory of high inflation being transitory may be incorrect.

Commodities – Commodity prices had their worst day in two months on Thursday, with the Bloomberg commodity spot index down -2.31%. In Addition, Chinese Premier, Li Keqiang, made televised comments that suggested that the country could take action to tame the raw material price rally of recent months, which pushed prices down further.

Gold prices shrugged off the latest US inflation data and still hovers in a tight range, just above \$1,800 per ounce.

Oil prices (Brent Crude & WTI) slumped on Thursday to put oil prices on track for weekly losses. Prices dropped as the Colonial pipeline in the US re-opened after the cyber-attack earlier in the week halted fuel flows throughout the US.

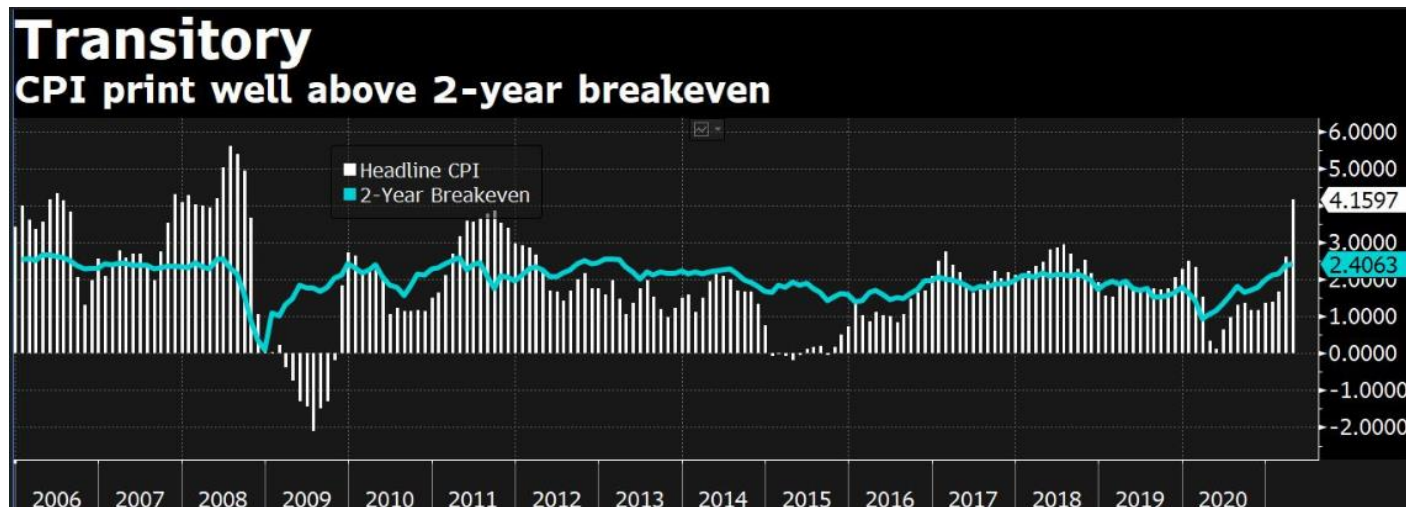
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Chart of the Week



Source: Bloomberg – US CPI shoots above 2 year breakeven figure, although the Federal Reserve thinks it's transitory

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- EU Q1 GDP flash estimate yy	- UK April inflation yy - EU Inflation yy	- Australia employment	- Japan CPI - UK retail sales

Market Performance – 14/05/2021

Global Market Indices	2021 YTD %*
FTSE 100	7.47%
S&P 500	11.71%
DAX	10.73%
Nikkei 225	1.38%
Hang Seng	1.42%
Fixed Income	Yield %
UK 10 Yr Gilt	0.90%
US 10 Yr Treasury	1.67%
Commodities	2021 YTD %
Gold	-3.68%
Currency	
GBP/USD	1.41 (14/05/2021)
GBP/EUR	1.16 (14/05/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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