Weekly Investment Update

18th June 2021

News Headlines

Central bank policy – The US Federal Reserve (Fed) on Wednesday brought forward its projections for the first post-pandemic interest rate hikes into 2023. The new projections saw the majority of the 11 Fed officials suggest that two quarter-point interest rate increases should be set for 2023. Uncertainty is now creeping in as to how temporary the rise in inflation will be, with Fed Chair, Jerome Powell, admitting that there is a risk it will prove higher than policy makers think. The Swiss National Bank kept its ultra-loose monetary policy stance in place, while in Asia, the Bank of Japan maintained its massive monetary stimulus programme to help pandemic-hit businesses.

Delay to 'Freedom day' – In an announcement on Monday by UK Prime Minister, Boris Johnson, the government postponed plans to remove all Covid-19 restrictions in England on 21st June. The easing of restrictions has now been delayed until the 19th July as the more infection 'Delta' variant threatens to undermine the UK's effort to vaccinate its way out of the pandemic. Mr Johnson said that he is "pretty confident" that there won't be another postponement, but some Conservative party members hit out at the extension due to the impact on the economy. The extension has dented confidence in the economic recovery, and a such has seen the value of the pound tumble against the US dollar.

Market Summary

Global Equities – Global stock markets retreated on the back of the Federal Reserve's revised stance on interest rates, with the MSCI world index finished just under -0.5% down for the week as at Thursday's close. The out-performer since the Fed announcement has been the technology sector, as investors unwound the recent reflation trades, pushing tech stocks higher and sending the US NASDAQ indices to record highs once again.

Commodities – After recent talks of a commodities boom, some markets have now wiped off all of their gains for the year. The retreat in many commodities came as a hawkish tone came from the latest Federal Reserve meeting added to the unwinding of the recent inflation trade.

Gold suffered its worst weekly loss in a year versus the US dollar, falling to a seven-week low. Easing reflation fears and optimism surrounding US President Joe Biden's infrastructure spending plans added to the market's consolidation. Stronger economic growth in the US and earlier than expected increase in rates from the Federal Reserve has strengthened the US dollar, further pushing the price of the precious metal down.

Oil prices (Brent crude & WTI) had their biggest declines in weeks due to the strengthening of the US dollar, however, losses were limited by a big drop in crude oil inventories in the United States.

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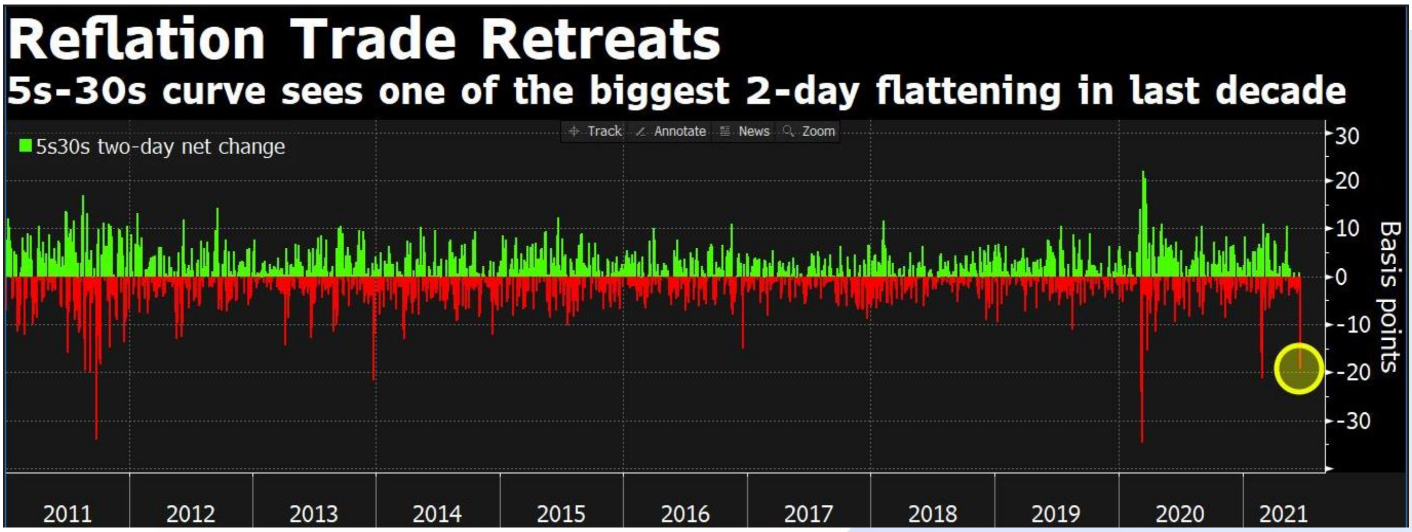
Chart of the Week



Source: Bloomberg – reflation trades unwind after latest comments from the Federal reserve

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
			- UK Bank of England rate decision	- Germany CPI prelim yy

Market Performance – 17/06/2021

Global Market Indices	2021 YTD %*
FTSE 100	10.71%
S&P 500	14.86%
DAX	14.58%
Nikkei 225	7.21%
Hang Seng	5.18%
Fixed Income	**Yield %**
UK 10 Yr Gilt	0.78%
US 10 Yr Treasury	1.51%
Commodities	**2021 YTD %**
Gold	-5.37%
Currency	
GBP/USD	1.39 (18/06/2021)
GBP/EUR	1.17 (18/06/2021)

Source: FE Analytics/ Bloomberg.com

**Total Return/Local currency*

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