

Weekly Investment Update

16th July 2021



News Headlines

Inflation – In a busy week for inflation data, the UK and the US both posted inflation figures that were higher than expected. In the UK, inflation surged to 2.5% in June, up from 2.1% in May and the highest it has been since October 2018, on the back of price rises in food, clothing, second-hand cars and fuel. In the US, consumer prices (CPI) rose by the most in 13 years in June amid supply constraints and a continued rebound in the costs of travel related services as the economic recovery gathered momentum. The consumer price index increased 0.9% last month after advancing 0.6% in May. The core CPI figure surged 4.5% on a year-on-year basis, the largest increase since November 1991.

China's economic slowdown – China's economy grew slower than expected in the second quarter. Gross Domestic Product (GDP) expanded 7.9% over April-June from a year earlier, missing expectations of an 8.1% rise. Slower manufacturing activity, higher raw material costs and new Covid-19 outbreaks weighed on the recovery momentum. China's economy is still expected to expand more than 9% in 2021.

US-EU travel ban lifting – US President, Joe Biden, said that his Covid advisers are weighing when to lift restrictions on travel from Europe after a long standing ban. German Chancellor, Angela Merkel, raised the issue in a White House meeting on Thursday, with Biden stating that he expects an answer "within the next several days".

Market Summary

Global Equities – Global equities finished mixed as at Thursday's close. In Europe, indices fell slightly as the continent struggles to contain a fifth wave of the pandemic, with the Delta variant spreading rapidly. In the US, equities failed to gain traction as inflation data came in above forecasts in June, while in the UK the FTSE 100 fell -1.54% on the back of falling oil prices, weak jobs data and a rise in inflation. In Asia, stocks nudged higher after Chinese export data topped forecasts and China's central bank cut reserve requirements for banks.

Commodities – Oil prices (Brent Crude and WTI) slumped over the week. News that the United Arab Emirates and Saudi Arabia had reached a compromise over future oil production volumes suggested that traders should prepare for a wave of supply to flood the market in the near future, which put downward pressure on prices.

Gold was on track for its fourth straight weekly gain on Friday versus the US dollar, finishing Thursday at its highest levels in nearly a month. A relentless drop in US Treasury yields fuelled renewed weakness in the US dollar, which offered fresh impetus for gold investors.

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Ascencia Investment Management Limited Frenkel House, 15 Carolina Way, Salford, Manchester, M50 2ZY.

T: 0161 886 8000 | E: enquiries@ascenciaim.co.uk | www.ascenciaim.co.uk

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Chart of the Week

U.S. Core CPI Highest read since 1991



Source: Bloomberg – US core CPI hits highest levels since 1991

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- Japan CPI		- ECB rate announcement	- France GDP - UK retail sales

Market Performance – 16/07/2021

Global Market Indices	2021 YTD %*
FTSE 100	8.70%
S&P 500	18.73%
DAX	13.86%
Nikkei 225	4.57%
Hang Seng	3.83%
Fixed Income	Yield %
UK 10 Yr Gilt	0.65%
US 10 Yr Treasury	1.30%
Commodities	2021 YTD %
Gold	-4.03%
Currency	
GBP/USD	1.38 (16/07/2021)
GBP/EUR	1.17 (16/07/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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