

Weekly Investment Update

13th August 2021



News Headlines

US inflation – The pace of US consumer prices increases steadied at a 13 year high in July, while month-on-month gains moderated slightly, as inflationary pressures continued due to supply-chain constraints and soaring demand. US headline CPI came in at 5.4% year-on-year versus the 5.3% expected, although Core CPI fell in line at the 4.3% expected.

UK economy – The UK economy grew more than expected in June, as looser covid-19 restrictions led to a strengthening in the dominant service sector. Gross domestic product rose by 1%, beating economists' expectations of 0.8%, which put growth for second quarter GDP in line with the consensus at 4.8% quarter-on-quarter, close to the Bank of England's prediction of 5%. Adding to the good news, trade statistics showed that exports of goods to the European Union recorded above pre-Brexit levels for the second month in June.

Taliban advancing in Afghanistan – The Taliban has continued its capture of major cities in Afghanistan in its bid to take full control of the country. In less than a week, the group have claimed at least 15 of the nation's 34 provincial capitals, and clashes between the Taliban and Afghan forces have intensified, while foreign militaries including the US and NATO are due to withdraw from Afghanistan by the 31st August. According to Reuters, US intelligence assessments anticipate that the country's capital Kabul could fall to Taliban control within 90 days.

Market Summary

Global Equities – Global equities continued to rally, as some major indices hit record highs. Investors shrugged off the ongoing spread of the Covid-19 Delta variant and the disruption to global supply chains after the partial closure of a major Chinese container port, choosing instead to focus on the US CPI reading steadying and coming in as expected. In Europe, the STOXX 600 hit record highs again after rallying for ten days straight. In the US, the Dow Jones Industrials and S&P 500 both rallied to record levels, with the S&P 500 achieving its 47th record high year to date at Thursday's close. In the UK, the FTSE 100 hit a one month high due to strong corporate earnings, while the FTSE 250 continued its advance and also reached record levels.

Commodities – Gold prices suffered a 'flash crash' earlier in the week, dropping 4% in Monday's session, triggered by the release of strong US jobs data. Although prices made back most of the losses throughout the week, the strong data indicates that the world's largest economy is well on its way to recovery, meaning it could prompt the Federal Reserve to become more "hawkish", which could spell the start of a bearish market for the yellow metal.

Oil prices (Brent Crude & WTI) gained slightly, however, a downbeat assessment from the International Energy Agency said that a recover in the demand for oil had reversed course in July amid a resurgence in coronavirus cases globally. The agency also stated "Growth for the second half of 2021 has been downgraded sharply, as new coronavirus restrictions imposed in several major oil consuming countries, particularly in Asia, look set to reduce mobility and oil use".

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Chart of the Week

Inflation Pressures July reading moderates



Source: Bloomberg – US inflationary pressures steady in July

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	<ul style="list-style-type: none"> - UK claimant count rate - Eurozone Q1 GDP flash yy 	<ul style="list-style-type: none"> - UK CPI - EU inflation 		<ul style="list-style-type: none"> - Japan CPI

Market Performance – 13/08/2021

Global Market Indices	2021 YTD %*
FTSE 100	12.12%
S&P 500	21.60%
DAX	16.11%
Nikkei 225	3.61%
Hang Seng	-1.66%
Fixed Income	Yield %
UK 10 Yr Gilt	0.60%
US 10 Yr Treasury	1.34%
Commodities	2021 YTD %
Gold	-7.71%
Currency	
GBP/USD	1.38 (13/08/2021)
GBP/EUR	1.17 (13/08/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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