Weekly Investment Update

20th August 2021

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INVESTMENT MANAGEMENT

News Headlines

***Federal Reserve* –** The US Federal Reserve's latest policy meeting suggested that the bank was set to rein in its massive monetary stimulus programme as the threat of inflation has started to concern the policymakers. Officials agreed last month that they could start slowing the pace of bond purchases later this year, judging that not enough progress had been made toward their inflation goal. The quicker than expected shift to monetary policy spooked the markets and weighed on investor sentiment.

***Afghanistan* –** On Sunday, Taliban leaders marched into Afghanistan's capital, Kabul, and took full control. The group took over the presidential palace and soon declared a new "Islamic Emirate of Afghanistan". The speed at which the government collapsed shocked NATO allies, as they were blindsided by the Taliban's easy advance. The Taliban have pledged to build an inclusive government, protect the rights of women and prevent Afghan territory from being used to target any other country. However, reports on the ground are already suggesting the contrary, as their current actions are resembling their previous stint in power twenty years ago. The International Monetary Fund has cut off the new government from using their fund reserve assets just days before they were set to receive $500 million, which has deprived the Taliban of key resources.

Market Summary

Global Equities – Investor sentiment soured this week, driving equities down. Lingering concerns about the delta variant's spread across a number of key economies and slowing economic growth are clouding the outlook for the rest of 2021. Adding to the negative sentiment, July Federal Open Market Committee (FOMC) minutes showed that most officials were in favour of tapering bond purchases by the end of 2021. The MSCI World Index fell almost 2% as at Thursday's close, while equities continued to fall at Friday's open. Asian markets were hammered this week by China's tougher enforcement actions, with Japan's Nikkei 225 losing -2.49% and Hong Kong's Hang Seng dropping -3.98% and officially slipping into a bear market. In the UK, the FTSE 100 had its worst week since January on the back of slowing economic growth and a surprise drop in retail sales. Finally, In Europe, the STOXX 600 fell from record highs posted last week, to have its worst weekly loss since February, losing 2%.

Commodities – As risk appetite waned, commodity markets experienced a sell-off rivalling that of the equity markets, with the Bloomberg Commodity Spot Index seeing its biggest decline in a month. Industrial metals in particular underperformed in light of the growth in concerns about the delta variant spread.

Oil prices (Brent Crude & WTI) fell to 3-month lows, down c.6% for the week, after bearish sentiment in energy markets continued. Palladium suffered its biggest weekly drop since March 2020, down 12% for the week, as a shortage of automotive chips weighed on demand from carmakers. Gold prices moved within a tight range, but finished slightly higher, tapering from midweek highs after the US dollar strengthened.

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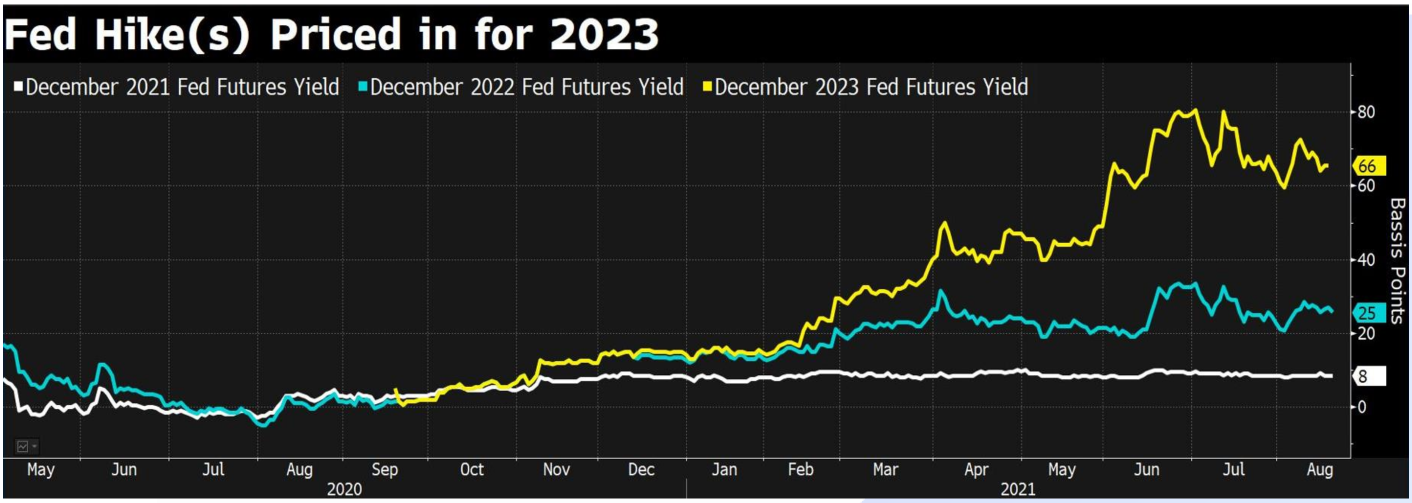
Chart of the Week



Source: Bloomberg – Federal Reserve hikes have been priced in for 2023

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- Germany GDP			- Australia retail sales - Germany CPI prelim yy

Market Performance – 20/08/2021

Global Market Indices	2021 YTD %*
FTSE 100	10.29%
S&P 500	20.14%
DAX	14.85%
Nikkei 225	0.90%
Hang Seng	-6.01%
Fixed Income	**Yield %**
UK 10 Yr Gilt	0.53 %
US 10 Yr Treasury	1.24%
Commodities	**2021 YTD %**
Gold	-5.67%
Currency	
GBP/USD	1.36 (20/08/2021)
GBP/EUR	1.16 (20/08/2021)

Source: FE Analytics/ Bloomberg.com **Total Return/Local currency*

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