

Weekly Investment Update

27th August 2021



News Headlines

Afghanistan crisis – Less than two weeks after the rapid fall to the Taliban, Afghanistan's capital became the centre of distress as citizens continue to try and flee the country. On Thursday, 13 US service members and 60 Afghanistan civilians were killed in two bombings around Kabul airport in the midst of frantic evacuation efforts. A group named Isis-K, enemies of the Taliban, took responsibility for the explosions. US President, Joe Biden, vowed to hunt those responsible down and make them pay. Worryingly, a speech by Republican Jim Banks, who served in the military, brought to light that the Taliban now have access to \$85 billion worth of US military equipment that includes 75,000 vehicles, 200 planes and helicopters, and over 600,000 small arms.

Federal Reserve – The time is finally here, the Jackson Hole symposium, usually held in Wyoming, will be held virtually on Friday. Federal Reserve Chair Jerome Powell will make a speech in which he is expected to provide strong guidance that the central bank will begin to taper asset purchases before the end of the year. However, concerns about the impact of the fast-spreading delta variant on the economy could make expectations of an announcement premature.

Biden's infrastructure spending plan – The US House of Representatives passed a \$3.5 trillion spending package central to Biden's infrastructure policy, which calls for huge investment into the US social safety net including education, child care and green energy. Biden has vowed to revamp the economy more broadly with investments worth trillions of dollars to redress the structural deficiencies and make the recovery from the pandemic more even.

Market Summary

Global Equities – Risk assets put in a strong performance throughout the week, with global equities indices hitting all-time highs once again. In the US, the Nasdaq and the S&P 500 hit all-time highs again, with the S&P at one point trading above 4,500 points for the first time ever before settling just below. In Europe, the STOXX 600 was little changed, but the benchmark remained on track for its seventh consecutive month of positive returns. Asia rebounded after investors digested the latest developments in the China-US public listing saga, while in the UK, the FTSE 100 remained relatively unchanged amid a lack of catalysts.

Commodities – Oil prices (Brent Crude & WTI) rallied sharply throughout the week after the sizeable losses last week. A drop in US crude inventories for the third straight week boosted prices by around 10% by Wednesday, however, Thursday saw a slight tapering amid renewed concerns about demand recovery as more covid-19 restrictions are imposed.

Gold prices rose slightly, but struggled to stay above \$1,800 per ounce as investors await the outcome of the Federal Reserve's Jackson Hole meeting on Friday. If the central bank is to withdraw support, this would push Treasury yields higher, bad news for future prospects of the yieldless commodity.

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

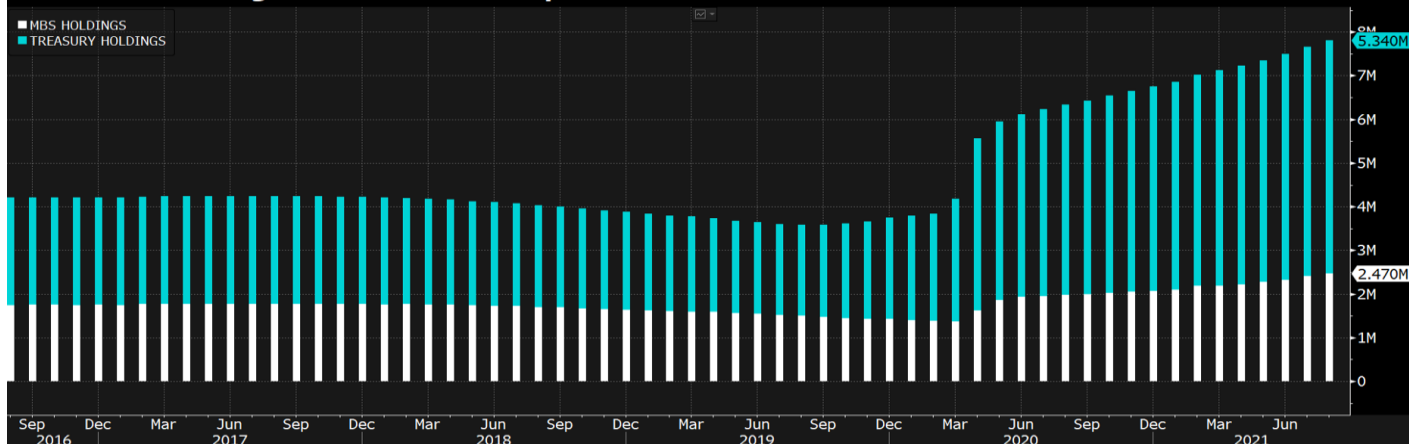
T: 0161 886 8000 | E: enquiries@ascenciaim.co.uk | www.ascenciaim.co.uk

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Chart of the Week

Taper Talk?

Investors watching Jackson Hole for taper timeline



Source: Bloomberg – Investors await Federal Reserve meeting outcome for taper timeline

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	<ul style="list-style-type: none"> - Japan unemployment - China manufacturing PMI - Germany unemployment 	<ul style="list-style-type: none"> - US manufacturing PMI 		<ul style="list-style-type: none"> - US unemployment

Market Performance – 27/08/2021

Global Market Indices	2021 YTD %*
FTSE 100	11.41%
S&P 500	21.92%
DAX	15.06%
Nikkei 225	2.61%
Hang Seng	-5.50%
Fixed Income	Yield %
UK 10 Yr Gilt	0.59%
US 10 Yr Treasury	1.34%
Commodities	2021 YTD %
Gold	-5.42%
Currency	
GBP/USD	1.37 (27/08/2021)
GBP/EUR	1.16 (27/08/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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