



»» Weekly Investment Update

24th September 2021

News Headlines

Central banks – Central banks laid out their plans and expectations in response to the ongoing rise in inflation as economies continue to re-open and grow at pace. The US Federal Reserve (Fed) held interest rates near zero, indicated that rate hikes could be coming sooner than expected and significantly cut its economic outlook for this year. As well as these largely expected moves, officials of the Open Market Committee indicated that they would start pulling back some of the stimulus the bank has been providing during the pandemic, although there was no indication as to when this might happen. In the UK, the Bank of England kept its interest rates at their record low of 0.1% and carry on with its £895 billion money-printing programme. The bank also cut its expectations for growth in the third quarter of the year by around one percent, suggesting that the economy at the end of September will be around two and a half percent smaller than it was pre-pandemic.

Evergrande – The world's most indebted property developer, Evergrande, has been at the centre of an unfolding storm over the health of China's huge property sector, as the Chinese government seeks to crack down on excessive debt. The company had a deadline of Thursday to pay a total of \$83.5 million bond holders, however, this was not made. The company now has a 30 day grace period before any failure to pay officially results in a default. The crisis shook global stock and commodity markets on Monday as investors weighed the implications of a slowdown across the real estate sector of China that has anchored the country's economic growth for decades.

OECD – The Organisation for Economic Co-operation and Development warned on Tuesday of an uneven global economic recovery from the pandemic, as it lowered its 2021 growth forecasts for the world and the US, while it raised the outlook for Europe. Due to lower vaccination rates in poorer countries the recovery "remains very uneven, with strikingly different outcomes across countries". Global output is now expected to expand by 5.7 percent this year, down 0.1 percent from the previous forecast in May. The outlook for 2022 however has slightly improved, with 4.5 percent now expected, up from the previous forecast of 4.4 percent. Some good news for the UK, as the OECD thinks that the country's economy will expand by 6.7 percent in 2021, the highest growth rate among the G7 countries.

Market Summary

Global Equities – Equity markets slumped across the board at the start of the week, with Monday being one of the worst days of the year so far for equities. The sharp move downwards came as an array of concerns about the global outlook gather pace. Fears about the consequences of the Evergrande crisis and the effect it would have on the wider markets soured sentiment. As the week progressed however, fears faded and major equity markets were back where they started at the beginning of the week or higher, with the MSCI World Index up 0.33% for the week as at Thursday's close.

Commodities – Gas prices hit the headlines this week after prices soared, having a major impact on the UK and Europe. Prices have risen as supplies have slowed from Russia and gasfields are out of action due to ongoing maintenance. The surge in prices forced a number of smaller energy suppliers in the UK to collapse, with many fearing that this is only the start of the collapse of small suppliers. Oil's global benchmark, Brent crude, traded at its highest levels in nearly three years this week, propped up by limited supplies alongside robust demand. The Bloomberg Commodity Index fell for four days straight up to Wednesday, as fears of default by Evergrande would have a widespread effect on the broader economic impact on China, the biggest buyer of raw materials. Commodity prices snapped back however towards the end of the week, as concerns of Evergrande's default eased and a surprise draw in US crude inventories helped fuel a buying spree.

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Chart of the Week

Energy Top Commodity Sector in 2021



Source: Bloomberg – Energy prices top the commodity sector in 2021

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US consumer confidence	- China manufacturing PMI		- Japan unemployment rate - US manufacturing PMI - EU inflation

Market Performance – 24/09/2021

Global Market Indices	2021 YTD %*
FTSE 100	9.36%
S&P 500	18.88%
DAX	11.81%
Nikkei 225	10.41%
Hang Seng	-9.67%
Fixed Income	Yield %
UK 10 Yr Gilt	0.93%
US 10 Yr Treasury	1.42%
Commodities	2021 YTD %
Gold	-7.78%
Currency	
GBP/USD	1.37 (24/09/2021)
GBP/EUR	1.17 (24/09/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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