



Weekly Investment Update

8th October 2021

News Headlines

US debt ceiling – The US Senate has voted to temporarily raise the federal government's \$28.4 trillion debt ceiling by \$480 billion to avoid the risk of a historic default this month. The Senate voted 50-48 in favour of the temporary lift following weeks of partisan fighting and disagreement. The increased funds are expected to be exhausted by December, which means that the divided Congress will have the challenge of agreeing a middle ground to avoid another debt ceiling crisis.

Economic data – Further adding to inflationary concerns, September Purchasing Managers Index (PMI) releases pointed to continued supply chain issues across multiple countries. Both European and US PMI figures were revised up, however, the US composite figure of 55.0, although above the expansion mark of 50, was the lowest reading in a year. Both releases stated that input costs are continuing to rise at the joint-fastest on record.

On Friday, US jobs growth numbers underwhelmed as they stalled for a second straight month. Just 194,000 jobs were added in September, falling short of estimates of 500,000. The unemployment rate fell however, falling from 5.2% to 4.8%. Questions will now be asked as whether the Federal Reserve can begin scaling back its monetary stimulus measures as early as November.

Russian gas – Russian President Vladimir Putin has offered to help stabilise the current surge in gas price rises in the UK and Europe. Putin announced on Wednesday that Russia would export record volumes of natural gas to Europe this year which immediately eased prices. Russia is the biggest supplier of gas into the EU, and it is suggested that the controversial Nord Stream 2 pipeline would make Europe even more dependent on Russia for supplies. The recent volatility in gas prices has shown how vulnerable Europe and the UK are to Russia, showing how easily prices of natural resources can be weaponised.

Market Summary

Global Equities – Equities sold off on Monday, with technology stocks leading the decline as fears of the US government defaulting and surging energy prices soured investor sentiment. Progress in both the debt ceiling issue and gas prices calmed investors nerves throughout the week, pushing equities higher, with most major indices finishing positive for the week as at Thursday's close. A notable loser was Japan's Nikkei 225, which lost almost 4%, amid market disappointment with a new government and a host of threats to global growth.

Commodities – Oil prices (Brent Crude & WTI) rose sharply, adding to the inflationary story. Both oil prices hit multi-year highs after climbing almost 5% each.

Natural gas finished up c.4% after a volatile week. Prior to President Putin's announcement around increasing supply to Europe, the commodity was at its highest level since 2008.

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Chart of the Week

Back to Earth

Big tech stocks' premium to S&P 500 is narrowest since 2018



Source: Bloomberg – technology stock premiums narrow to S&P 500

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		- Germany CPI yy - US CPI yy	- China CPI yy - US producer prices - US PPI inflation	- China GDP

Market Performance – 08/10/2021

Global Market Indices	2021 YTD %*
FTSE 100	11.00%
S&P 500	20.21%
DAX	11.10%
Nikkei 225	2.96%
Hang Seng	-7.83%
Fixed Income	Yield %
UK 10 Yr Gilt	1.08%
US 10 Yr Treasury	1.59%
Commodities	2021 YTD %
Gold	-7.43%
Currency	
GBP/USD	1.36 (08/10/2021)
GBP/EUR	1.18 (08/10/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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