

» Weekly Investment Update

22nd October 2021



News Headlines

UK economic data – The Bank of England's chief economist, Huw Pill, has warned that UK inflation is likely to rise "close to or even slightly above 5 per cent" early next year, stating that the central bank would have a "live" decision on whether to raise interest rates at its November meeting. Forecasts show that inflation will likely come down in the second half of 2022 after peaking in the first quarter. Financial markets are expecting the BoE to raise interest rates as early as next month after recent comments from governor, Andrew Bailey, who said that the bank would "have to act" to keep a lid on inflation which is targeted at 2%.

Covid-19 – Global cases have continued to shift higher in recent days, with the UK posting over 50,000 cases a day by the end of the week for the first time since July. Calls for the government to bring in additional restrictions have increased, however, Prime Minister Johnson doesn't feel the need to put any plans in place just yet. A number of other countries have now tightened restrictions, with Russia approving a government proposal that October 31st to the 7th November be "non-working" days, New York City moved to mandate all municipal workers to get vaccinated, and in Singapore it was announced that restrictions would be extended for another month. Some good news on the vaccine front, Pfizer and BioNTech confirmed that their booster shots were 95.6% effective against symptomatic Covid in a trial of 10,000 people.

Bitcoin – Bitcoin broke through its all-time high this week, tipping \$67,000. The cryptocurrency surged over recent weeks, up c.50% so far in October. The latest moves higher came as the US listed options on Bitcoin-linked ETFs on Tuesday.

Market Summary

Global Equities – Global equities performed well throughout the week, showing resilience despite rapidly rising inflation worries, with the MSCI World index posting a gain of 1.4% for the week as at Thursday's close. US equities continue to dominate and outperform all major peers since the pandemic bottom. The S&P 500 rallied, posting a 7th consecutive advance and closing on Thursday at a new all-time high. In Asia, the Hong Kong Hang Seng posted positive returns for the fourth consecutive week after optimism of China easing measures to support the housing market amid an industry slump, and less concern of an Evergrande default after interest payment were made to bondholders.

Commodities – After reaching a new 7-year high, the oil price rally cooled, slowing on fading demand over easing gas and coal prices as well as a forecast for a mild winter in the US.

Gold prices rose amid a risk-on mood and a pullback of US dollar. The price of gold remains undeterred by the record run in equities, as the growing inflation fears continue to benefit the traditional inflation hedge.

Copper, considered the industrial bellwether, saw prices plummet as the supply squeeze on the London Metal Exchange eased and attention refocused on the threat of slowing demand in China.

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Chart of the Week

U.S. Equities Outperform S&P 500 outperforms all major peers since pandemic bottom



Source: Bloomberg – US equities outperform major peers since pandemic bottom

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		<ul style="list-style-type: none"> - Germany CPI - Bank of Canada rate decision 	<ul style="list-style-type: none"> - German unemployment - ECB rate announcement 	<ul style="list-style-type: none"> - Japan unemployment - EU inflation flash

Market Performance – 22/10/2021

Global Market Indices	2021 YTD %*
FTSE 100	12.81%
S&P 500	24.33%
DAX	12.72%
Nikkei 225	6.80%
Hang Seng	-2.91%
Fixed Income	Yield %
UK 10 Yr Gilt	1.20%
US 10 Yr Treasury	1.69%
Commodities	2021 YTD %
Gold	-5.38%
Currency	
GBP/USD	1.38 (22/10/2021)
GBP/EUR	1.18 (22/10/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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