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Investment Management

Weekly Investment Update

29th October 2021

News Headlines

Central banks – The Bank of Canada became the latest central bank to act decisively against the risk of higher inflation as it ended its quantitative easing programme sooner than expected, while shifting its expected timing of interest rate hikes forward, from the second half of 2022 to the middle quarters of 2022. This hawkish shift sent shockwaves globally, with the US 2yr-10yr yield spread flattening dramatically, the most since March 2020, as growth forecast were revised down, and inflation forecasts were revised up. The European Central Bank chose to keep their rates unchanged, but is becoming increasingly isolated in its stance, as Brazil's central bank delivered its biggest rate hike in nearly two decades, while indicating there are more on the way. The Bank of England looks set to tighten by the end of 2021 and the US Federal Reserve officials are becoming increasingly concerned about rising inflation.

Economic growth – US economic growth slowed sharply in the third quarter amid supply-chain disruptions, a resurgence of Covid-19 cases and slower consumer spending. The economy expanded just 2% on an annualised basis in the quarter, less than the expected figure of 2.7%, making it the weakest quarterly growth since the pandemic started last year. The eurozone's economy grew by 2.2% in Q3 as inflation soared. The bloc has lagged the global economy's recovery from the pandemic over the past year, but it has now started to close the gap, with the bloc's growth rate exceeding that of the US and China for the second successive quarter.

UK budget – The UK chancellor, Rishi Sunak, used this week's Budget to pump more money into public services recovering from the pandemic and protect them from rising inflation, increasing departmental budgets by 3% a year in real terms over the next three years. Taxes, however, are heading for the highest levels since 1950, and the Conservatives plan to go into the next election with public spending accounting for 2.5% more of the economy than in 2019-2020.

Market Summary

Global Equities – Global equities fared well throughout the week with the MSCI World Index rising almost 1% as at Thursday's close. Strong corporate earnings out of the US provided a bullish outlook and lifted the S&P 500 and Nasdaq indices to fresh all-time highs on Thursday. In Europe, the STOXX 600 was on track for its fourth consecutive weekly gain on Friday, also supported by strong earnings across the bloc. However, in Asia, equities struggled as multiple drivers weighed on sentiment across the region. The Hong Kong Hang Seng is currently in a corrective phase after its recent 10% rally, down -2.19% for the week.

Commodities – The price of gold finished the week hovering around the $1,800 per ounce mark after rallying more than 1% this week. The yellow metal's upside is lacking conviction however, as it struggles to take off despite intensifying concerns about global inflation.

Oil prices (Brent Crude & WTI) slipped after touching multi-year highs on Monday. A surplus in inventories and Iran signalling that nuclear negotiations would resume in November pushed prices down towards the end of the week.

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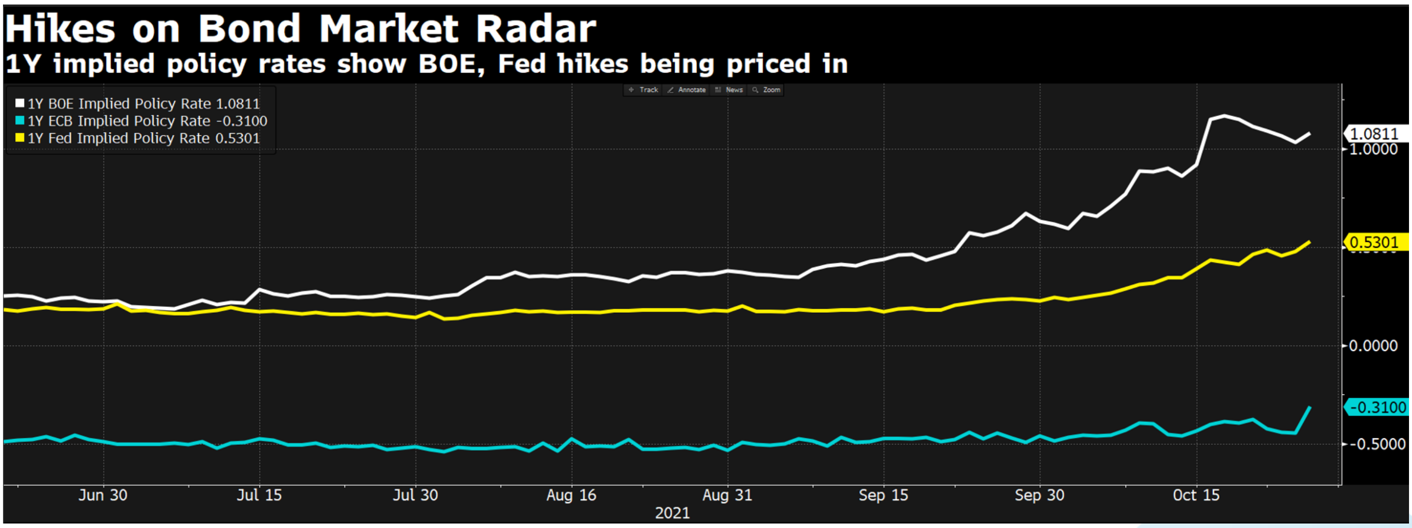
Chart of the Week



Source: Bloomberg – Hikes from the major central banks have been priced in by the bond market

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- US manufacturing PMI	- RBA cash rate decision	- FOMC rate announcement	- BoE rate decision	- US unemployment rate

Market Performance – 29/10/2021

Global Market Indices	2021 YTD %*
FTSE 100	13.76%
S&P 500	25.62%
DAX	14.35%
Nikkei 225	7.25%
Hang Seng	-4.64%
Fixed Income	**Yield %**
UK 10 Yr Gilt	1.04%
US 10 Yr Treasury	1.56%
Commodities	**2021 YTD %**
Gold	-5.22%
Currency	
GBP/USD	1.38 (29/10/2021)
GBP/EUR	1.18 (29/10/2021)

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