

» Weekly Investment Update

5th November 2021



News Headlines

Central banks – The US Federal Reserve announced that it would start to scale back its massive stimulus by \$15 billion a month starting in November. Although stimulus is being eased, Fed Chair, Jerome Powell, stressed that the tapering does not mean that the bank will hike rates any time soon. The Bank of England surprised the financial markets on Thursday by holding rates at the historic low of 0.10%, as it wanted to gather more information about the effects on the labour market of the end of the furlough scheme in October prior to making further decisions. The Monetary Policy Committee voted 7-2 in favour of keeping rates low, despite the fact that the bank upgraded their inflation forecasts yet again, now seeing CPI peaking at around 5% in April 2022.

China woes – China's official manufacturing PMI for October came in at 49.2, below the 50-level separating expansion from contraction. It represented the second straight month of shrinking manufacturing activity in the country, following September's official manufacturing PMI reading of 49.6. Further adding to concerns, China's property development market continues to be under huge stress, with signs of contagion spreading to the onshore market. Increasing borrowing costs are making it very difficult for developers to refinance their debt, while at the same time, the property market curbs are weighing on home sales. Four property companies defaulted last month, and grace periods are soon to expire for overdue bond-interest payments owed by Evergrande who are at the centre of the storm.

Covid-19 – Covid cases, hospitalisations and deaths are on the rise again across Europe, with Belgium, Netherlands and Germany in particular experiencing a sharp increase in all three metrics. The World Health Organisation has warned about the accelerated outbreak, saying that governments should keep public-health measures in place. The rise in cases across the continent comes just before the US opens its borders to European travellers next week. On a positive note, the drugmaker Pfizer announced that their new antiviral pill cut the risk of hospitalisation or death from Covid by 89% in late-stage trials, creating a potential new tool in treating patients and combating the pandemic.

Market Summary

Global Equities – Equities continued their rally throughout the week. The S&P 500, NASDAQ, Dow Jones and Europe's STOXX 600 all hit fresh record highs on the back of positive corporate earnings results and central banks continuing to keep interest rates low and the supply of money loose. A notable gainer was Japan's Nikkei 225, up c.3%, after the country's ruling Liberal Democratic Party held on to its single-party majority in Sunday's parliamentary election.

Commodities – A renewed downtick in US Treasury yields across the curve, re-emerging concerns around the state China's property sector and the major central banks standing firm on interest rates all lifted the sentiment around the non-interest-bearing gold. Prices of the yellow metal climbed back above \$1,800 per ounce after dropping slightly last week.

OPEC and its allies agreed at a meeting on Thursday to stick to plans to raise oil output by 400k barrels a day from December, despite calls from the US to produce more in an effort to curb rising prices. Although this agreement helped push prices up slightly on Friday, the price of oil was down for the second straight week as the US Energy Information Administration reported bigger than expected build in US oil supplies.

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Chart of the Week

S&P Rides Earnings to New High Leading index trends along Overbought readings



Source: Bloomberg – S&P 500 reaches all-time highs once again this week after strong corporate earnings

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		- China CPI - Germany CPI & GDP - US CPI	- Australia unemployment	

Market Performance – 05/11/2021

Global Market Indices	2021 YTD %*
FTSE 100	16.31%
S&P 500	25.63%
DAX	16.84%
Nikkei 225	8.56%
Hang Seng	-5.04%
Fixed Income	Yield %
UK 10 Yr Gilt	0.94%
US 10 Yr Treasury	1.52%
Commodities	2021 YTD %
Gold	-6.01%
Currency	
GBP/USD	1.35 (05/11/2021)
GBP/EUR	1.17 (05/11/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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