



Weekly Investment Update

12th November 2021

News Headlines

Inflation – US consumer prices rose at the fastest pace in three decades in October as inflationary pressures spread further throughout the economy. CPI rose to 6.2% over 12 months in October, a sharp increase from September's levels of 5.4%. US President, Joe Biden, singled out rising energy costs as a primary driver of inflation and said it was a top priority to reverse the continuing trend. Chinese consumer prices are also on the rise, 1.5% higher than this time last year. Data published this week showed Chinese factory gate prices (the cost at which wholesalers buy materials from producers) rose at the fastest pace on 26 years in October, up 13.5% compared to this time last year. Also, in Germany, inflation hit a 28-year high in October, which forced the country's Council of Economic Experts to raise its inflation forecasts for the next two years.

Economic growth – UK economic growth slowed more than expected in the third quarter, as the boost from businesses reopening cooled and shortages of goods and workers hit economic activity. UK output in the three months to September grew by 1.3%, a little less than the expected rate of 1.5% forecast by the Bank of England. Output in the UK is still 2.1% below its pre-pandemic levels, the largest gap of any G7 country currently. The Bank of England have also forecast that growth will slow further in the fourth quarter to 1% due to supply chain disruptions and the impact of higher inflation on business and consumer spending.

China – The Chinese Communist Party has passed a "historical resolution" which cements the current leader, Xi Jinping's status in political history. The document released outlined plans for the direction of the party, which has Xi Jinping at the centre of the grand narrative of the party and modern China, with the document acting as a tool to help him retain power indefinitely.

Market Summary

Global Equities – Global equities were a mixed bag as at Thursday's close. Europe's STOXX 600, the Nasdaq, Dow Jones, and Russell 2000 all hit record highs throughout the week, continuing the seemingly non-stop rally in equities despite growing economic concerns. Persistently high inflation figures are cooling some rallies however, as this week's data releases weighed on US indices mid-week. The S&P 500 lost ground for two consecutive days after its recent run, while the Nasdaq led declines due to the increase in discount rates. In Asia, investor sentiment improved this week following the news that Chinese regulators are considering easing rules for asset sales alongside speculation that Beijing may soften crackdowns in the technology and property sectors.

Commodities – Gold closed for the sixth trading day in positive territory on Thursday but turned slightly negative on Friday. The precious metal's recent rally comes as inflation risks continue to have a negative impact on global economic growth, while resurgences of covid cases in China and parts of the Euro area are boosting gold's attractive safe-haven appeal.

Oil prices headed for their longest run of weekly losses since March as the US dollar strengthened and US President Joe Biden kept investors guessing about whether he will intervene and try to tame prices that have helped to create a surge in US inflation.

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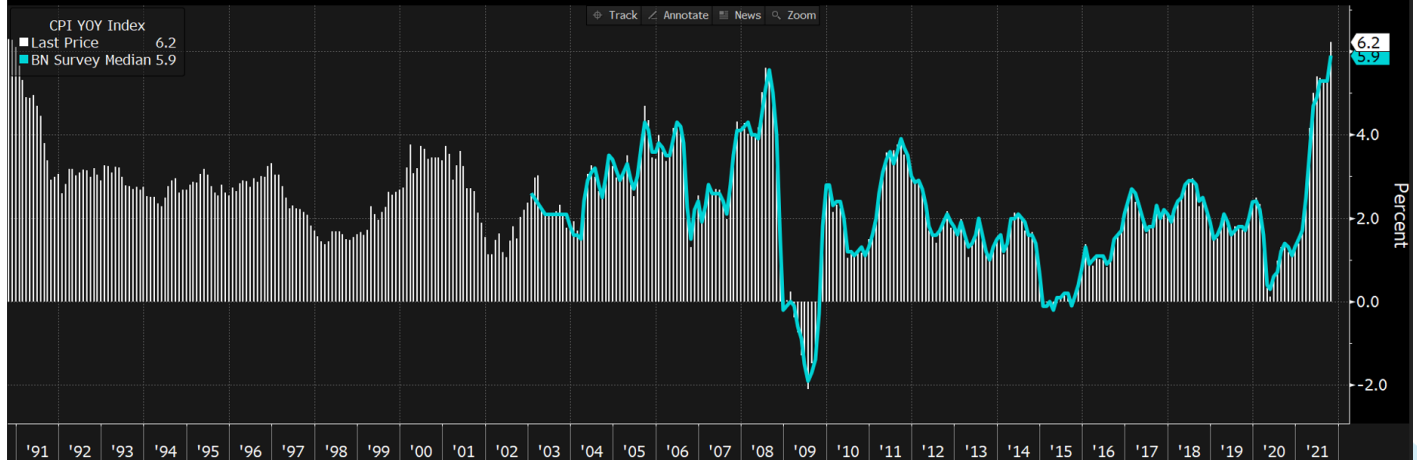
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Chart of the Week

Headline CPI Hits 30-Year High U.S. CPI growth with estimate



Source: Bloomberg – US inflation hits a 30-year high

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		- UK CPI - EU inflation	- Japan CPI	- UK retail sales

Market Performance – 12/11/2021

Global Market Indices	2021 YTD %*
FTSE 100	18.10%
S&P 500	24.84%
DAX	17.23%
Nikkei 225	6.68%
Hang Seng	-4.92%
Fixed Income	Yield %
UK 10 Yr Gilt	0.92%
US 10 Yr Treasury	1.57%
Commodities	2021 YTD %
Gold	-2.31%
Currency	
GBP/USD	1.34 (12/11/2021)
GBP/EUR	1.17 (12/11/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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