

» Weekly Investment Update

3rd December 2021



News Headlines

Covid-19 – A number of countries have now reported cases of the new Omicron variant, with case numbers increasing in those countries rapidly. The new variant has prompted an array of government responses to try and curb the spread before it gets out of control. In Europe, Germany announced that you must now be vaccinated or have recently recovered from covid in order to get into restaurants and non-essential shops, as hospitals have come under increased pressure. Greece will begin to hand out monthly fines to anyone who is over 60 and unvaccinated, while people in Norway have been advised to work from home if possible. The UK and US governments have continued to highlight the importance of booster jabs going into the Christmas period, as there are no signs of tighter restrictions in either country just yet. There was some positive news from the World Health Organization however, as their chief scientist said that they think the vaccines “will still protect against severe disease, as they have against other variants”.

Federal Reserve – In the semi-annual testimony to Congress on the economy, Federal Reserve chair Jerome Powell re-emphasised his more hawkish rhetoric around inflation, stating “we’ve seen inflation to be more persistent. We’ve seen that factors are causing higher inflation to be more persistent”. The Fed is now looking to taper its asset purchases a few months earlier than previously expected, bringing an end to the stimulus which has pushed the stock markets to all-time highs since the pandemic began.

Market Summary

Global Equities – Major equity indices remained relatively flat as at Thursday’s close, after a volatile week, with the MSCI World index posting a small loss of -0.64%. Pessimism around the new Omicron covid variant as well as the hawkish remarks from the Federal Reserve dampened market sentiment midweek, wiping out gains made at the start of the week. In the UK however, The FTSE 100 posted a return of 1.26%, after the biggest one-day jump since July, owing to gains in the banking, oil and mining sectors. At the other end of the spectrum, in Asia, the Hong Kong Hang Seng index slid to its lowest levels in almost 14 months, and Japan’s Nikkei 225 fell sharply (-3.47%) as China’s regulatory crackdowns combined with worries about Omicron variant panicked investors.

Commodities – Oil prices (Brent Crude & WTI) had a choppy week after plummeting last week. Prices did pop higher on Friday however, after OPEC+ agreed on Thursday to stick to their existing policy of monthly oil output increases. This news prompted Goldman Sachs to suggest that current price levels offer “compelling” opportunities for investors to reposition for an ongoing bull market.

Gold fell throughout the week, posting negative returns for the third consecutive week. The metal was weighed down by signs that the US Federal Reserve will quicken the pace of its asset tapering and hike interest rates earlier than expected to curb inflation.

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Chart of the Week

Market's Projected Timeline on Fed Rate Hikes Cycle seen starting mid 2022 and rates rising around 125 bps in total



Source: Bloomberg – Market's Federal Reserve rate hike predictions

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	<ul style="list-style-type: none"> - Australia RBA rate decision - EU employment 	<ul style="list-style-type: none"> - Bank of Canada rate decision 	<ul style="list-style-type: none"> - China CPI yy 	<ul style="list-style-type: none"> - Germany CPI yy - US CPI yy

Market Performance – 03/12/2021

Global Market Indices	2021 YTD %*
FTSE 100	14.24%
S&P 500	23.00%
DAX	11.26%
Nikkei 225	1.13%
Hang Seng	-10.36%
Fixed Income	Yield %
UK 10 Yr Gilt	0.79%
US 10 Yr Treasury	1.43%
Commodities	2021 YTD %
Gold	-7.73%
Currency	
GBP/USD	1.33 (03/12/2021)
GBP/EUR	1.17 (03/12/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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