

» Weekly Investment Update

10th December 2021



News Headlines

Russia/US Ukraine tensions – Western leaders are increasingly concerned that Russian forces are preparing to invade Ukraine, seven years after Russia seized part of southern Ukraine and backed separatists who started a conflict in large areas of the east. Ukraine says that Russia has sent tanks, artillery and snipers to the front in rebel held areas, while Western intelligence services believe there are 100,000 Russian troops at the border. US President Joe Biden and Russian President Vladimir Putin held high level talks this week, discussing concerns about NATO in an attempt to “bring down the temperature along the Eastern front”. President Biden reinforced that the US was ready to implement severe economic sanctions should Russia invade Ukraine, telling reporters that he told Putin that there would be “economic consequences like no one has ever seen”.

UK Plan B – The increasing spread of the Omicron covid variant has continued globally this week, as a study from a Japanese scientist advising the health ministry in Japan, stated that the Omicron variant is 4.2 times more transmissible than the delta variant in its early stage. This increase in transmission has pushed governments to tighten covid restrictions, and in the UK, the government chose to bring forward their review of restrictions from the 18th December to this week, where they announced England would be moving to “Plan B”. This will see the reintroduction of guidance to work from home and an extension of face mask wearing to most indoor public venues. On a positive note, Pfizer/BioNTech announced the results from an initial study showing that three doses of their vaccine neutralised the Omicron variant.

Market Summary

Global Equities – Global equity markets bounced back after the recent Omicron induced sell-off. Equities had their best day on Tuesday since “Pfizer day” last November, after investors became increasingly optimistic that the Omicron variant wouldn’t prove as bad as initially feared. The MSCI World index added 2.76% throughout the week as at Thursday’s close, with the US S&P 500 and Europe’s STOXX 600 posting their best 2-day performance of 2021 so far. As expected, the rally cooled towards the end of the week, most likely due to some profit taking, but many indices remain near all-time highs.

Commodities – The recovery in risk assets was also seen in the bounce back in oil prices (Brent Crude & WTI), ending a run of six consecutive weekly declines. Both oil prices rose c.7% this week after fears that the Omicron variant would hit global growth and fuel demand in the future diminished.

The price of gold slipped slightly this week but stayed in a tight range just below \$1,800 per ounce. A broad rebound in the US dollar kept a lid on the upside with investors searching for clear direction of the precious metal’s price.

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Chart of the Week

Tech Claws Back NASDAQ 100 near record vs S&P 500



Source: Bloomberg – Tech stocks claw back gains recent sell-off

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- Germany CPI yy	- US PPI inflation yy	- UK CPI yy - US FOMC rate announcement	- ECB rate announcement - UK BoE rate announcement	- EU inflation yy

Market Performance – 10/12/2021

Global Market Indices	2021 YTD %*
FTSE 100	17.33%
S&P 500	25.44%
DAX	14.00%
Nikkei 225	4.67%
Hang Seng	-8.61%
Fixed Income	Yield %
UK 10 Yr Gilt	0.76%
US 10 Yr Treasury	1.49%
Commodities	2021 YTD %
Gold	-6.65%
Currency	
GBP/USD	1.32 (10/12/2021)
GBP/EUR	1.17 (10/12/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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