



» Weekly Investment Update

17th December 2021

News Headlines

Central bank decisions – The Bank of England surprised markets on Thursday, voting 8-1 in favour of higher interest rates. The bank's Monetary Policy Committee decided that it could no longer wait before trying to cool spending in the economy, and in turn, raised interest rates from 0.1% to 0.25% in its first increase in more than three years. This came just a few days after inflation hit a 10-year high in the UK, rising by 5.1% in the 12 months to November.

In the US, the Federal Open Market Committee kept its interest rate on hold at 0.25%, while signalling support for a more assertive approach to tightening policy. Federal Reserve officials now expect to raise interest rates three times next year. The European Central Bank and Bank of Japan both left their interest rates unchanged, keeping their monetary policy ultra-loose for the time being.

Conservative defeat – UK prime minister Boris Johnson suffered yet another blow to his authority after the Conservatives sustained a heavy parliamentary by-election defeat in North Shropshire, which has been held as a Conservative safe seat for the last 200 years. The Liberal Democrats won the seat by a margin of almost 6,000 votes, meaning the prime minister will now face further questions about his leadership from his own party.

Market Summary

Global Equities – Equity markets posted a slight loss for the week as at Thursday's close after a busy week of central bank announcements, with the MSCI World index losing -0.65%. US equity markets staged a relief rally on Wednesday, buying into the idea that gradual tightening laid out by policy makers at the Federal Reserve would put the economy on a smooth path back to growth and inflation equilibrium. This sentiment quickly soured however, as tech stocks slumped, dragging down all indices after markets had the chance to digest the reality of future interest rate hikes. European stocks slipped, with autos and oil leading losses on concerns that surging Omicron cases could affect global fuel demand. In Asia, equities are testing 13-month lows, with tech stocks also falling sharply. All eyes are now on the rapid spread of the Omicron covid variant as we make our way to the holiday period, as confirmed cases hit daily record highs.

Commodities – Gold prices posted their best week since mid-November after the US dollar weakened following the Federal Reserve's decision to withdraw pandemic-era stimulus.

Oil prices (Brent Crude & WTI) were on track for a weekly loss on Friday as the rising cases of the Omicron covid variant raised fears that new curbs and restrictions may hit fuel demand. Goldman Sachs, however, still see the commodity hitting \$100 per barrel in 2022 and beyond.

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Chart of the Week

UK Base Rate: historic lows as CPI tops 5%



Source: Bloomberg – The Bank of England kept its interest rate at historic lows as CPI topped 5%

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- UK retail sales		- Japan CPI national	

Market Performance – 17/12/2021

Global Market Indices	2021 YTD %*
FTSE 100	16.37%
S&P 500	25.20%
DAX	12.81%
Nikkei 225	3.70%
Hang Seng	-11.54%
Fixed Income	Yield %
UK 10 Yr Gilt	0.75%
US 10 Yr Treasury	1.42%
Commodities	2021 YTD %
Gold	-5.87%
Currency	
GBP/USD	1.33 (17/12/2021)
GBP/EUR	1.18 (17/12/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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