ascencia
Investment Management

Weekly Investment Update

7th January 2022

News Headlines

Federal Reserve minutes – Minutes released on Wednesday from December's Federal Open Market Committee meeting showed officials were fully on board with plans to accelerate the withdrawal of the bond-buying programme which started at the onset of the pandemic. The Federal Reserve may need to raise interest rates sooner or at a faster pace than was initially anticipated as the central bank tries to pacify soaring inflation, tapering asset purchases quicker would give the bank greater flexibility to do so. The minutes sparked a global selloff in bonds, with the US 10-year Treasury yield hitting 1.737% on Thursday, as overnight interest rate swaps are now implying an 80% chance of a 0.25% rate hike in March.

Covid cases – Covid case numbers spiked drastically over the Christmas period and continued to rise this week. In Europe and the UK, daily cases are hitting hundreds of thousands, whereas in the US, the daily case number notched just over one million on Tuesday. Many countries have introduced new measures to contain the spread, including curfews and the banning of air travel from certain countries. The UK, however, dropped its covid test mandate for arriving travellers along with day two covid tests for arrivals, just as the Army are being deployed to hospitals around the country to help fill the gap of isolating or ill NHS staff. Although cases are high, hospitalisations and fatalities are showing no signs of the correlations that the previous covid strains had.

Market Summary

Global Equities – In general, equities struggled to start the year on a positive note, with the MSCI World Index posting a loss of -1.60% for the week as at Thursday's close. As the Federal Reserve announced that they could taper asset purchases quicker than planned in a bid to keep the US economy from overheating, US Treasury yields rose, which had a major effect on technology sector stocks globally. The US Nasdaq Composite index dropped more than 3% midweek as growth stocks took the brunt of the losses. This had a knock-on effect globally, with the threat of higher interest rates prompting investors to buy into businesses more closely linked to the economic recovery. Equity markets which contain banks, travel related businesses and large industrial groups stocks started the year positively, with the UK FTSE 100 and German DAX posting gains of 0.65% and 1.05% respectively.

Commodities – Gold prices slipped below $1,800 per ounce as US Treasury yields and the US dollar gained throughout the week. The metal slumped to multi-day lows after the latest minutes from the Federal Reserve backed a rush to raise interest rates.

Oil prices (Brent Crude & WTI) continued their rally and headed for their biggest weekly gains since mid-December, gaining c.6.5%. Supply concerns due to unrest in Kazakhstan and outages in Libya overtook worries that the rapid spread of the Omicron variant might dent demand.

Address:
Frenkel House, 15 Carolina Way, Salford, Manchester, M50 2ZY

Enquiries:
0161 886 8000
enquiries@ascenciaim.co.uk

Web:
www.ascenciaim.co.uk

Chart of the Week

Source: Bloomberg – Investors rotate into value stocks as economies re-open

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		- China CPI yy - US CPI yy		- Germany GDP

Market Performance – 07/01/2022

Global Market Indices	**2022 YTD %***
FTSE 100	0.65%
S&P 500	-1.70%
DAX	1.05%
Nikkei 225	-1.06%
Hang Seng	-0.17%
Fixed Income	**Yield %**
UK 10 Yr Gilt	1.15%
US 10 Yr Treasury	1.72%
Commodities	**2022 YTD %**
Gold	-2.06%
Currency	
GBP/USD	1.35 (07/01/2022)
GBP/EUR	1.19 (07/01/2022)

Source: FE Analytics/ Bloomberg.com *Total Return/Local currency*