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Investment Management

Weekly Investment Update

14th January 2022

News Headlines

US inflation – US inflation hit 7% year-on-year in 2021, the highest level seen since 1982. Although high, the figure was in line with expectations. The Governor of the Federal Reserve, however, said that “inflation is too high” and tackling inflation to bring it back down to 2% while sustaining an inclusive recovery is the central bank’s most pressing task. Fed speakers struck a hawkish tone after the inflation data came in, which helped strengthen investor confidence that the central bank will raise interest rates in March. If inflation isn’t brought under control by the expected three rate hikes this year, Philadelphia’s Fed President stated that he could be “convinced of a fourth”.

Boris Johnson – The British Prime Minister was in hot water again this week, as stories released suggested he attended a Downing Street party in May 2020 which broke the very rules his government introduced at that time. In a heated session of Prime Minister’s Questions on Wednesday, Mr Johnson apologised for attending the party during the first covid lockdown, but that doesn’t seem to have calmed calls for him to resign from opposition benches. Key members of the Conservative party have since come out to defend the prime minister’s actions.

Market Summary

Global Equities – Most major equity indices finished flat as at Thursday’s close as the MSCI World index posted a loss of -0.22% for the week. Technology stocks were once again the hardest hit as the rotation continued into value stocks. The Nasdaq fell to a 3-month low after falling -2.51% on Thursday after US inflation data came in hot and central bankers’ hawkish comments. A noticeable outperformer recently has been the European STOXX 600 Banks index, hitting a fresh three year-high on Thursday after advancing for the 8th time in the last 9 sessions. Another outperformer this week and year-to-date is the Hong Kong Hang Seng index. The index has performed well as it is considered cheap compared to other major indices after suffering large drawdowns in 2021 due to Beijing’s crackdown on key industries like tech and real estate.

Commodities – Gold prices gained the most since November last year, hovering around $1,830 per ounce. The US dollar has continued to weaken along with US Treasury yields, helping sustain the metal’s price stability.

Oil prices (Brent Crude & WTI) bull run continued, on course for a fourth weekly gain boosted by supply constraints and a weaker US dollar despite sources saying China is set to release crude reserves around the Lunar New Year.

European natural gas prices saw another surge higher with the latest moves coming after Russia’s deputy foreign minister, Sergei Ryabkov, said that talks with the US had reached a dead end amidst strong tensions between the two sides and Russia rejecting any further expansion of NATO.

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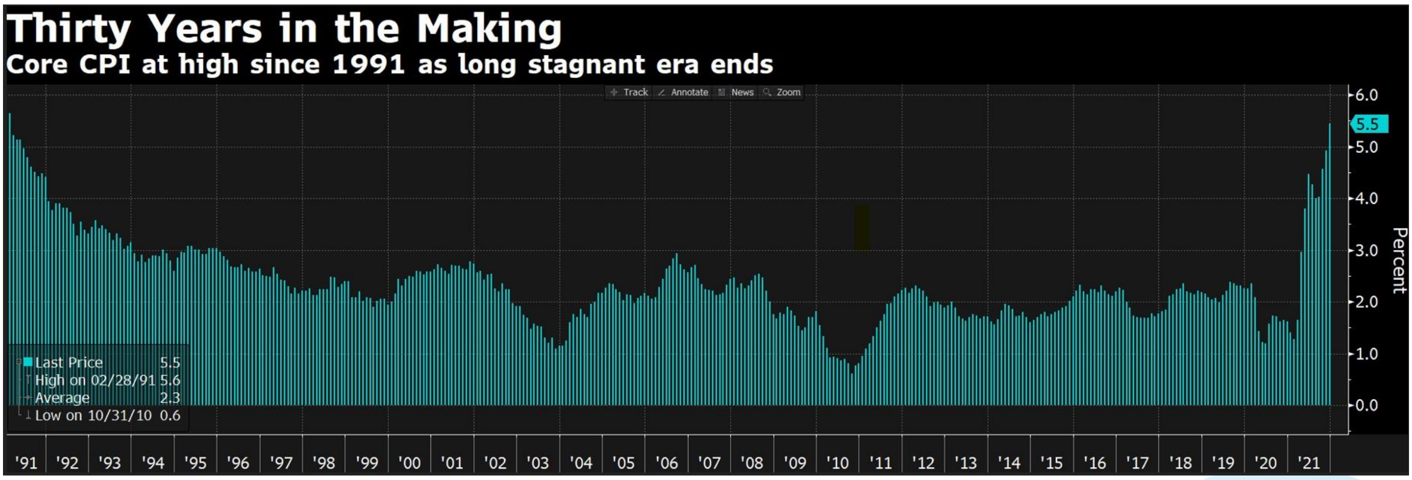
Chart of the Week



Source: Bloomberg – Core CPI continues to increase

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- China GDP - EU inflation yy	- UK claimant count rate	- Germany CPI yy - UK CPI yy	- Japan CPI	- UK retail sales

Market Performance – 14/01/2022

Global Market Indices	2022 YTD %*
FTSE 100	2.46%
S&P 500	-2.21%
STOXX 600	-0.30%
Nikkei 225	-1.05%
Hang Seng	4.41%
Fixed Income	**Yield %**
UK 10 Yr Gilt	1.10%
US 10 Yr Treasury	1.71%
Commodities	**2022 YTD %**
Gold	-0.39%
Currency	
GBP/USD	1.37 (14/01/2022)
GBP/EUR	1.19 (14/01/2022)

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

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