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Investment Management

Weekly Investment Update

21st January 2022

News Headlines

Chinese Central Bank – China's central bank cut its key interest rate on Monday for the first time in almost two years. The reduction came after Gross Domestic Product grew by more than 8.1% in 2021 but slowed down in the final quarter. The economy lost momentum after repeated covid outbreaks, muted consumer spending, tighter regulations, and a slump in the property market during a politically important year for the leader Xi Jinping. China's chief economist, however, said the impact of these cuts "will be quite limited, as these cuts are too small to have a material impact."

US/Russia tensions – President Joe Biden warned of "severe economic consequences" for Russia if the country invades Ukraine. He said he feels Russian President Vladimir Putin "has to do something" after amassing 100,000 troops on the border. Biden did, however, suggest that a "minor incursion" might be treated differently by the US and its allies. The European Union on Thursday also threatened Russia with "massive economic and financial sanctions" if it attacked Ukraine.

Boris Johnson – UK politics were in the headlines again this week. Prime Minister Johnson remained under significant pressure from his own party, with 11 Conservative MPs submitting letters of no confidence in the PM's leadership. One Conservative MP, Christian Wakeford, decided to defect to the Labour Party after stating he had been blackmailed by Conservative whips who threatened his constituency's funding if he did not vote the right way on Parliament. A defection either way to another party has not happened for 15 years, highlighting the current state of political affairs in the UK.

Market Summary

Global Equities – World equities declined throughout the week, with the MSCI World index posting a loss of -2.78% as at Thursday's close. Investors are increasingly pricing in tighter monetary policy over the coming months to deal with persistent high inflation, as US 10-year Treasury yields hit a 2-year high after rising for the fourth consecutive week. The prospect of a more rapid rate of interest rate hikes in the US sent US equities to their lowest levels of the year so far, having a knock-on effect globally. Growth stocks have once again been hit the hardest, pushing the NASDAQ below its 200-day moving average for the first time since the covid induced volatility of March 2020. The FTSE 100 and the STOXX 600, however, stayed relatively flat throughout the week, with the FTSE 100 hitting its highest level in almost 2 years after modest gains.

Commodities – Gold prices hit a two-month high on Thursday, but quickly retracted back to where they were at the start of the week on Friday amid expectations that the Federal Reserve may tighten its monetary policy at a faster pace than anticipated.

After hitting their highest levels since 2014 on Thursday, oil prices (Brent Crude & WTI) took a breather at the open on Friday, slipping slightly following higher US inventories. The recent performance has been driven by increased demand, tightening supplies and reduced Omicron fears.

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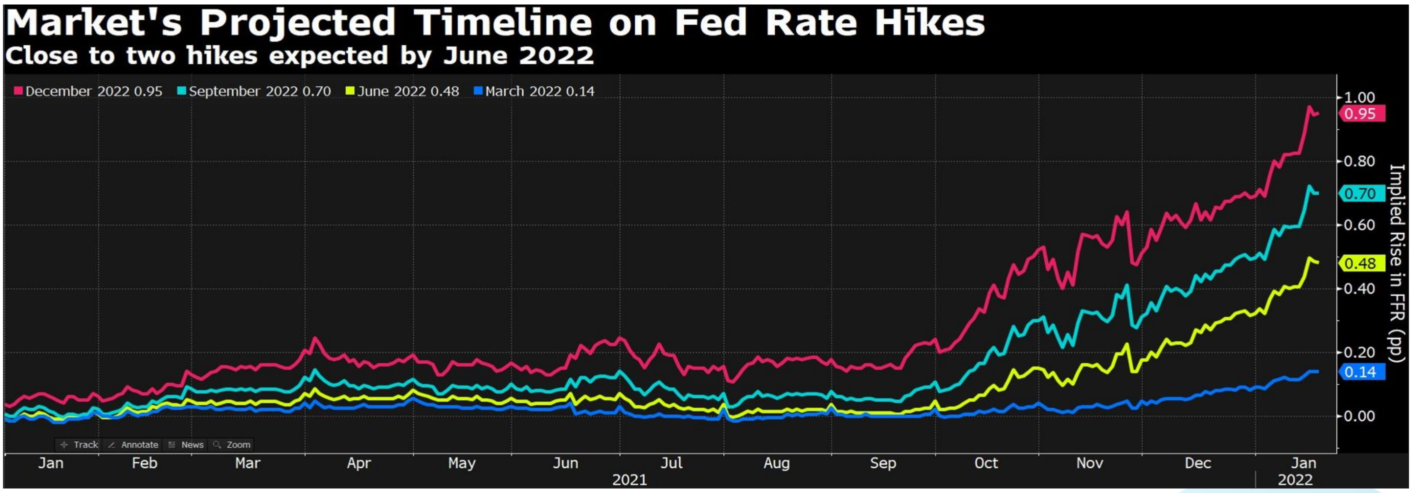
Chart of the Week



Source: Bloomberg – Market predictions for Federal Reserve rate hikes in 2022

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- Australia CPI - US consumer confidence	- Bank of Canada rate decision - FOMC rate announcement		

Market Performance – 21/01/2022

Global Market Indices	**2022 YTD %***
FTSE 100	2.76%
S&P 500	-5.90%
STOXX 600	-1.37%
Nikkei 225	-3.54%
Hang Seng	3.12%
Fixed Income	**Yield %**
UK 10 Yr Gilt	1.18%
US 10 Yr Treasury	1.79%
Commodities	**2022 YTD %**
Gold	0.76%
Currency	
GBP/USD	1.36 (21/01/2022)
GBP/EUR	1.20 (21/01/2022)

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

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