Weekly Investment Update

4th February 2022

News Headlines

Central banks – The Bank of England introduced its first back-to-back interest rate hike since 2004, taking the interest rate up to 0.50%. The Monetary Policy Committee voted 5-4 in favour of raising interest rates from 0.25% to 0.50%, however, the 4 votes came from dissenting members who were in favour of a hike up to 0.75%. UK households will now have to contend with higher borrowing costs, as well as higher taxes, energy, good and services prices going forward. In Europe, the European Central Bank (ECB) acknowledged mounting inflation risks and hinted that there may be an interest rate rise in 2022, a huge policy turnaround for one of the world's most dovish central banks. Persistent high inflation readings above the 2% target have challenged a narrative of inflation being transitory, with ECB President Christine Lagarde admitting inflation Is likely to remain elevated for longer than previously expected. The market now expects 50 basis points of tightening before December, which would end seven years of negative interest rates.

UK politics – UK prime minister Boris Johnson's job came further under threat as four of his top aides quit this week. Mr Johnson's chief of staff, private secretary, director of communications and longstanding ally Munira Mirza all left their post after confidence in their leader diminished, with the latter leaving in protest over a "scurrilous" remark made by Mr Johnson made about opposition leader Kier Starmer. Earlier in the week, a report into partying in Downing Street during lockdown cited "failures of leadership and judgement" at the top of government and criticised "excessive" drinking. London's police are now investigating 12 gatherings in government buildings over lockdown, saying it was reviewing 300 images and 500 pages of information.

Market Summary

Global Equities – After yet another highly volatile week, equities provided a positive return, with the MSCI World index posting a gain of 1.11% as at Thursday's close. Equity markets produced strong rallies at the start of the week with the US S&P 500 advancing over 4 consecutive sessions, which is the biggest 4-day gain since the relief rally after the November 2020 presidential election. Some weaker corporate earnings brought the global equity rally to a halt on Thursday however, as tech stocks led moves lower after Meta's (Facebook) earnings release saw the company lose -26.39% of its market value. The tech heavy NASDAQ Composite fell the most since September 2020, losing -3.74% on the day wiping out much of the weeks gain.

Commodities – Gold prices struggled to find direction, still hovering around the $1,800 per ounce mark.

US oil prices notched above $90 per barrel for the first time since 2014 as producers have struggled to keep up with resurgent demand. Prices are up almost 20% since the start of the year, and more than 60% higher over the past year. Wall Street analysts are now predicting that prices will surpass $100 per barrel by this summer as demand rises and geopolitical tensions threaten supply.

Fixed Income – After key central bank meetings this week, sovereign bond yields surged globally. German 10-year bund yields saw their biggest rise since November 2020, while peripheral spreads between Italian and German 10-year debt saw its widest gap since September 2020. 5-year Japanese government bond yields hit zero for the first time since the Bank of Japan implemented their negative interest rate policy in 2016.

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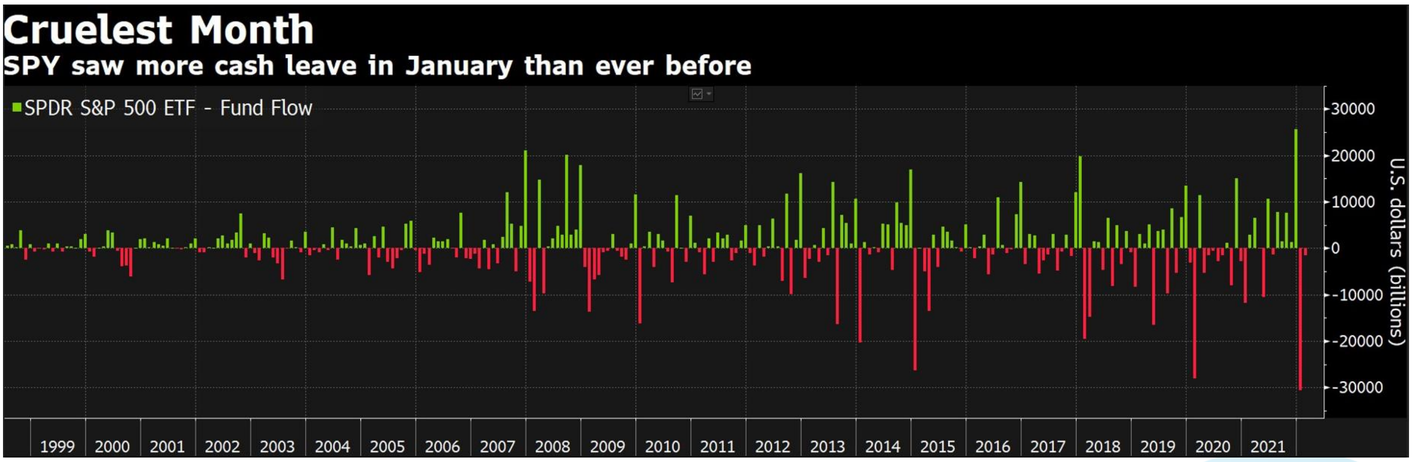
Chart of the Week



Source: Bloomberg – US S&P 500 ETF sees biggest outflows ever in January 2022

Key Economic Releases Next Week

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

Market Performance – 04/02/2022

Global Market Indices	2022 YTD %*
FTSE 100	2.00%
S&P 500	-6.00%
STOXX 600	-2.15%
Nikkei 225	-5.38%
Hang Seng	1.73%
Fixed Income	**Yield %**
UK 10 Yr Gilt	1.41%
US 10 Yr Treasury	1.83%
Commodities	**2022 YTD %**
Gold	-1.13%
Currency	
GBP/USD	1.35 (04/02/2022)
GBP/EUR	1.18 (04/02/2022)

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

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