

» Weekly Investment Update

11th February 2022



News Headlines

US inflation – The US consumer price index rose 7.5% last month, compared with January 2021. The increase is the fastest annual rise in the past 40 years as inflationary pressures continue to dampen the global economic recovery. On a monthly basis, CPI rose by 0.6% in January, which is a steeper increase than predicted by economists. If inflation readings continue to exceed expectations, it could prompt the US Federal Reserve to tighten monetary policy more aggressively than anticipated which would unsettle markets.

UK & Russia's frosty meeting – The Russian and British foreign ministers met in Moscow on Thursday to discuss ongoing tensions between Russia and Ukraine. The two sides tried to de-escalate the situation, however, the Russian minister Sergei Lavrov described his two-hour meeting with the British counterpart, Liz Truss, as “disappointing” and “a dialogue of a mute person with a deaf person”. Truss demanded that Russia withdraw the 100,000 troops massed at the border with Ukraine, but Mr Lavrov Said Liz Truss’ delegation had come unprepared and reiterated that the Russian military build-up around the UK posed no threat. Lavrov also said that the closed-door talks were combative and ineffectual, describing relations between the two countries as being “at their lowest point for many, many years”.

Market Summary

Global Equities – Equities got some slight respite this week after a very volatile start to the year, as the MSCI World Index gained +0.79% as at Thursday’s close. The US inflation data released on Thursday, however, added some uncertainty within markets as it prompted economists to increase their bets of a 50-bps rate hike by the Federal Reserve in March. The possibility of tighter Fed policy dragged US equities down, with growth stocks taking the brunt of the downward pressure. Indices in Europe and the UK held up relatively well, holding on to the majority of their weekly gain after the sell-off due to higher weightings of banks and commodity driven stocks.

Commodities – Gold prices made good ground throughout the week, gaining more than 1.5%. Prices slipped at the open on Friday however after the inflation data out of the US.

After seven consecutive weekly gains, oil prices (Brent Crude & WTI) also eased after the hotter than expected US inflation data and talks between the US and Iran that could lead to increased global supply. Prior to the drop, both contracts climbed to a seven-year high.

Fixed Income – On the back of further hawkish central bank remarks, US 10-year Treasury yields moved above 2% for the first time since August 2019 after a 10.8-bps rise, while the 2-year Treasury yield rose sharply, moving up to 1.58% in the largest daily increase since 2009. The 2/10-year curve has reached its flattest level since August 2020, further adding to rhetoric that a recession is on its way. The move in yields was echoed in Europe, as yields on 10-year bunds and gilts rose to fresh highs.

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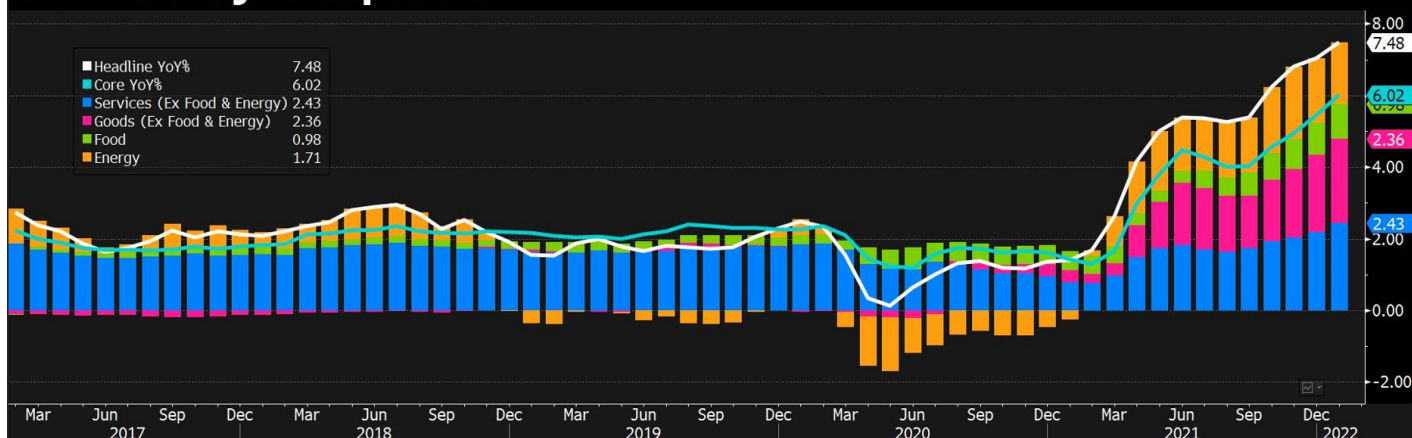


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Chart of the Week

U.S. CPI by Component



Source: Bloomberg – US headline CPI breakdown by component – CPI at their highest levels in 40 years

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	<ul style="list-style-type: none"> - US PPI inflation yy - Germany GDP 	<ul style="list-style-type: none"> - China CPI yy 	<ul style="list-style-type: none"> - EU inflation yy - Japan CPI 	<ul style="list-style-type: none"> - UK CPI yy - UK retail sales

Market Performance – 11/02/2022

Global Market Indices	2022 YTD %*
FTSE 100	3.94%
S&P 500	-5.41%
STOXX 600	-2.90%
Nikkei 225	-3.81%
Hang Seng	6.53%
Fixed Income	Yield %
UK 10 Yr Gilt	1.53%
US 10 Yr Treasury	2.02%
Commodities	2022 YTD %
Gold	-0.03%
Currency	
GBP/USD	1.35 (11/02/2022)
GBP/EUR	1.86 (11/02/2022)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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