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Investment Management

Weekly Investment Update

11th March 2022

News Headlines

Russia/Ukraine – Russian military intensified its advance into Ukraine as the situation changes rapidly. Both parties agreed numerous times to establish humanitarian corridors for civilians to flee areas of heavy fighting, only for ceasefires in those corridors to be broken when implemented. Russian military began attacking fresh targets in cities not previously affected, while the refugee crisis escalated in Europe as the number of refugees now displaced reached 2.5 million. To further choke Russia's economy, the US, along with the UK imposed a ban on imports of Russian fossil fuels, and more western companies pulled or suspended their Russian operations.

European Central Bank – The European Central Bank made their first major monetary policy decision since the start of the conflict in Ukraine. The officials adopted to take a more hawkish approach than had been anticipated, announcing that they would reduce asset purchases faster than previously expected. They also said that interest rates shall remain at their present levels for the foreseeable future until forward guidance conditions are met.

US inflation – The US's February CPI figures came in exactly in-line with economists' expectations this week, rising to 7.9% year-on-year, which is the highest level in 40 years. Economists are now expecting this figure to rise closer to 9% over the coming months, as February's figure does not include most of the major movements in prices since the start of the Russian invasion of Ukraine.

Market Summary

Global Equities – Global equity performance was mixed this week, with the MSCI World Index losing -0.80% as at Thursday's close. European and UK indices performed particularly well, finishing positive after a strong rally midweek as the first signs of positive movement in the diplomatic positions of Russia and Ukraine and a dip in oil prices brough some much needed relief to markets. The German DAX index, Europe's STOXX 600 and the Italian MIB index all posted their strongest one-day gains since March 2020. In the US and Asia, even with the rally on Wednesday, major indices struggled to maintain the rally and remained in negative territory throughout the week.

Commodities – Oil prices (Brent Crude & WTI) fell sharply on Wednesday after hitting highs on Tuesday that had not been seen since 2008. Prices hit c.$130 per barrel, adding to ever increasing inflationary pressures. To put the price increase into context, just two years ago we were seeing oil prices trade near $20 per barrel at the start of the pandemic. The London Metal Exchange suspended trading of the industrial metal nickel on Tuesday, after prices soared in unprecedented moves above $100,000 per tonne. The increase meant the price rose more than 250% in two days. The price of gold almost touched record high prices seen in August 2020, notching $2,069 per ounce supported by strong safe haven demand. Prices quickly dropped back down below $2,000 per ounce by the end of the week.

Fixed Income – The European Central Bank's shift towards a more hawkish stance saw a sharp selloff in sovereign bonds. German 10-year bund yields saw their biggest weekly increase since 2015, and the gap between Italian 10-year and German 10-year yields saw its largest daily widening since April 2020.

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Chart of the Week

Source: Bloomberg – The sudden and unprecedented rise in the nickel price forced the LME to suspend trading

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US PPI inflation	- US FOMC rate announcement	- EU inflation yy - UK BoE rate decision - Japan CPI	- UK CPI yy

Market Performance – 11/03/2022

Global Market Indices	2022 YTD %*
FTSE 100	-3.56%
S&P 500	-10.45%
STOXX 600	-12.62%
Nikkei 225	-14.08%
Hang Seng	-11.46%
Fixed Income	**Yield %**
UK 10 Yr Gilt	1.50%
US 10 Yr Treasury	1.98%
Commodities	**2022 YTD %**
Gold	9.15%
Currency	
GBP/USD	1.30 (11/03/2022)
GBP/EUR	1.19 (11/03/2022)

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

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