

» Weekly Investment Update

18th March 2022



News Headlines

Russia/Ukraine negotiations – Peace talks between the two sides continued throughout the week as officials attempt to bring an end to the conflict in Ukraine. One of the main concerns from Russia's side is Ukraine's determination to join NATO. There have, however, been signs that Ukraine is willing to compromise in a bid to bring an end to the war after the Kremlin said negotiators are discussing a status for Ukraine that is similar to that of Austria and Sweden, who are both in the European Union but outside of NATO.

Central banks – The US Federal Reserve announced an interest rate hike of 0.25% on Wednesday, which is set to be the start of an aggressive tightening campaign throughout 2022. The central bank's Chair, Jerome Powell, signalled that there would be six more rate increases this year as inflation is too high and the labour market is overheated. Powell also assured Americans that the economy would not tip into a recession. In the UK, the Bank of England also raised their interest rate by 0.25% as widely expected, becoming the first major central bank to take its key interest rate back to pre-pandemic levels.

Market Summary

Global Equities – Global equities made substantial gains this week, with the MSCI World Index finishing 4.87% higher as at Thursday's close. Markets responded positively to Federal Reserve Chair Powell's comments that the probability of a recession in the US was "not particularly elevated", and the economy is "very strong" and can handle the planned aggressive policy tightening. Big winners of Wednesday's rally in the US were mega cap tech stocks, as the FANG+ index posted its best one-day gain on record (+10.19%). News out of China that the government would actively introduce policies that will benefit markets and boost economic growth saw Chinese stocks soar midweek after falling dramatically prior to the announcement. The Hong Kong Hang Seng index saw wild swings, bouncing back from being 10% down to finish the week up 4.6%.

Commodities – Both Brent Crude and WTI oil fell below \$100 per barrel at the start of the week after the US confirmed it would not sanction activity covered under a renewed nuclear deal, potentially enabling Iranian oil supply to return to the market. The dip was short lived, with both oils bouncing back as Ukraine/Russia negotiations showed little progress, raising the possibility of tighter sanctions and continued disruption to oil supply. Both contracts are set to end the week c.4% down.

Gold prices fell back beneath \$2,000 per ounce, briefly dipping below \$1,900 midweek prior to the Federal Reserve's policy decision. The haven metal staged a small rally at the end of the week however, as high inflation and continued uncertainty of geopolitical events supported demand.

Fixed Income – In the US, after the Federal Reserve interest rate increase, the spread between the 30-year and 5-year Treasuries tightened to its flattest since 2018. As the yield curve gauges the health of an economy, the flattening is in part down to bets on policy error by the Federal Reserve when trying to stop a recession in the future.

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Chart of the Week

Bank of England Rate-Hike Bets Market still sees close to one hike in each meeting this year



Source: Bloomberg – Bank of England 2022 rate hike bets

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- UK CPI yy			- UK retail sales yy

Market Performance – 18/03/2022

Global Market Indices	2022 YTD %*
FTSE 100	0.97%
S&P 500	-7.23%
STOXX 600	-7.17%
Nikkei 225	-7.43%
Hang Seng	-7.80%
Fixed Income	Yield %
UK 10 Yr Gilt	1.56%
US 10 Yr Treasury	2.15%
Commodities	2022 YTD %
Gold	6.26%
Currency	
GBP/USD	1.31 (18/03/2022)
GBP/EUR	1.18 (18/03/2022)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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