



Weekly Investment Update

25th March 2022

News Headlines

UK spring budget – The Chancellor of the Exchequer, Rishi Sunak, laid out the government’s fiscal plans going forward for the UK. Key announcements made included raising the threshold at which workers start to pay National Insurance, 5p a litre one-year cut in fuel duty, 5% VAT removed from home solar panels, heat pumps and insulation, and a promise to cut the basic rate of income tax from 20p to 19p on the pound in April 2024. While the Chancellor highlighted the support he was giving to many households, the reality is, according to the Office for Budget Responsibility, after-tax household disposable incomes in 2022-23 will see the “largest fall in a single year since records began in 1956-57”.

Russia/Ukraine – US officials are concerned that the Russian President may lash out as Russian troops continue to find themselves bogged down in Ukraine. Their view is that Putin’s tendency is to escalate rather than back down when boxed in and may choose to retaliate by blanket bombing Ukrainian cities or use chemical weapons and/or tactical nuclear weapons. European officials are also concerned that China is willing to help Putin’s government withstand the economic penalties currently in place, as China may be ready to supply semiconductors and other tech hardware to Russia as part of an effort to soften the impact of Western sanctions.

Market Summary

Global Equities – Equities rallied in most regions globally throughout the week, with the MSCI World index finishing up 1.05% as at Thursday’s close. Asian equities were buoyant through the week, with a broad rally across the region led by Japan’s Nikkei 225, as Japan has now fully lifted the recent covid emergency measures amid a declining trend in new covid cases. Chinese tech stocks continued their upward trend after last week’s announcement that the Chinese government were willing to support financial markets. In the US, sentiment for risk assets increased, encouraged by data pointing to economic strength as jobless claims fell to their lowest since 1969. Tech stocks led the outperformance, with the Nasdaq Composite gaining 2.15% throughout the week. The S&P 500 climbed back above the levels seen just before President Biden announced that Russia was preparing to invade Ukraine on the 9th February. Another notable move came in the Russian stock market, which reopened for limited trading on Thursday, with local investors only able to trade 33 of the 50 stocks in the index. The index made significant gains on the day (only to lose those gains shortly afterwards), however, the Russian central bank put a ban on short selling, blocked foreigners from selling their shares and the Kremlin also directed a Russian sovereign wealth fund to buy around \$10 billion worth of shares.

Commodities – Negative rhetoric out of Ukraine around slowing progress of negotiations drove oil prices (Brent Crude & WTI) higher. Both contracts ended Thursday more than 10% higher for the week. Gold prices also staged a rally, although a modest one, up 1.7% at Thursday’s close.

Fixed Income – Bond markets continued their considerable sell-off, suffering unprecedented losses since peaking last year as central banks tighten policy to try and reign in surging inflation. Since January 2021, the Bloomberg Global Aggregate Index has lost around \$2.6 trillion in market value, worse than the \$2 trillion lost in the Great Financial Crisis of 2008.

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Chart of the Week

Soft Landings?

This time it IS different - Fed is way behind inflation



Source: Bloomberg – The US Federal Reserve's interest rate is lagging way behind inflation

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- Japan unemployment		- Germany CPI yy prelim	- China manufacturing PMI - Germany unemployment rate	- EU inflation yy - US unemployment rate - US manufacturing PMI

Market Performance – 25/03/2022

Global Market Indices	2022 YTD %*
FTSE 100	2.19%
S&P 500	-4.93%
STOXX 600	-6.41%
Nikkei 225	-2.37%
Hang Seng	-5.89%
Fixed Income	Yield %
UK 10 Yr Gilt	1.62%
US 10 Yr Treasury	2.36%
Commodities	2022 YTD %
Gold	7.33%
Currency	
GBP/USD	1.31 (25/03/2022)
GBP/EUR	1.19 (25/03/2022)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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