

» Weekly Investment Update

8th April 2022



News Headlines

Hawkish Federal Reserve – The Federal Reserve has signalled that it will reduce its bond holdings at a maximum pace of \$95 billion a month, tightening credit across the US economy. Minutes from the latest meeting on Wednesday showed that many of the officials would have favoured raising rates by 0.5% last month but chose to implement a 0.25% increase due to Russia's invasion of Ukraine. Economists at Deutsche Bank see the central bank raising interest rates by 0.5% at each of its next three meetings on its way to peak above 3.5% by the middle of 2023 and think the US will tumble into a recession next year as a consequence.

New Russian sanctions – The EU, US and G7 countries are imposing a fresh round of sanctions on Russia in response to atrocities committed by Russia in the Ukrainian city of Bucha. As part of the latest sanctions, the EU agreed to ban coal imports from Russia, as well as banning most Russian trucks and ships entering the EU, while the US penalised two of Russia's largest banks and Vladimir Putin's daughters. A spokesperson for the Russian President stated on Thursday that the "whole situation in Bucha is a well-staged insinuation" and the images of bodies in Bucha "were not victims of Russian military personnel", and that the loss of life was a "tragedy". As Russian military continues to advance in the east of Ukraine, NATO member states have agreed to supply new types of advanced weaponry to Ukraine following a plea from Ukraine's foreign minister for western countries to move faster with supplies "because this help may come too late".

Market Summary

Global Equities – Global equity markets struggled to gain traction throughout the week, with most major indices finishing lower as at Thursday's close. The MSCI World index fell -1.37% as the impact of the hawkish Federal Reserve meeting minutes took effect. Technology stocks took the brunt of the losses as Treasury yields rose, with the Nasdaq and FANG+ index dropping -4.43% and -6.63% respectively in the two days following the meeting. In Asia, indices reflected losses made in the west. China's recent covid outbreak, which has seen daily cases hit all-time highs, has put a drag on sentiment in the region as Chinese services PMI dropped to 42.0, its lowest level since February 2020. In the UK, the FTSE 100 hit seven-week highs, on course to notch its fifth straight week of gains as defensive sectors such as pharmaceuticals and utilities boosted the indices, reflecting concerns among investors about the global economic outlook.

Commodities – Both oil contracts fell below the \$100 per barrel mark, down c.3% for the week. The drop came after oil consuming countries planned the release of 240 million barrels from emergency stocks offset some concern over reduced supplies coming out of Russia. Gold prices traded relatively flat as the US dollar strengthened, offsetting the safe-haven demand from the ongoing Russian invasion of Ukraine.

Global food prices hit a new high, soaring at the fastest monthly rate in 14 years. March's food price index from the UN rose to its third record high in a row, up 34% from the same time last year after the war in Ukraine has shut down supply lines from both Ukraine and Russia.

Fixed Income – Expectations of a more aggressive Federal Reserve led to a major selloff in Treasuries across the board. The US 10-year yield rose above 2.5% for the first time since May 2019, while the real 10-year yield hit its highest level since March 2020.

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Chart of the Week

Fed's Hawkishness Stands Out Implied policy rate change for rest of 2022



Source: Bloomberg – Hawkishness from the US Federal Reserve stands out amongst peers

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- China CPI yy	- US CPI yy - Germany CPI yy	- UK CPI yy - Bank of Canada rate announcement	- ECB rate announcement	- Japan CPI - China GDP yy

Market Performance – 08/04/2022

Global Market Indices	2022 YTD %*
FTSE 100	3.50%
S&P 500	-5.32%
STOXX 600	-5.84%
Nikkei 225	-3.49%
Hang Seng	-6.46%
Fixed Income	Yield %
UK 10 Yr Gilt	1.71%
US 10 Yr Treasury	2.63%
Commodities	2022 YTD %
Gold	5.58%
Currency	
GBP/USD	1.30 (08/04/2022)
GBP/EUR	1.20 (08/04/2022)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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