

Weekly Investment Update

24th June 2022



News Headlines

Jerome Powell testimony – Federal Reserve Chair, Jerome Powell, appeared in-front of the Senate Banking Committee this week, just a few days after announcing the latest key interest rate rise of 0.75%. Chair Powell struck a negative tone in the meeting, declaring that a recession is a “possibility” and the soft landing that investors were hoping for will be “very challenging”. Another senior member of the committee, Charles Evans, has stated that another 0.75% interest rate rise is a “very reasonable place to have a discussion” in July’s Federal Open Market Committee meeting.

UK economy – UK consumer confidence dropped to a record low amid tightening incomes, disruption from strikes and surging inflation. May’s year-on-year consumer price index reading rose +9.1%, in line with expectations, but the highest level since 1982. Prime Minister Boris Johnson is feeling the pressure, as his Conservative Party lost a key Parliament seat in southwest England, which led to the resignation of his party’s chairman, Oliver Dowden.

EU membership – European leaders have granted Ukraine candidate status in their bid to receive EU membership. After a two-day summit in Brussels, heads of government approved a recommendation from the European commission to grant the status to Ukraine. Ukraine will now have to meet conditions in the future on issues related to the rule of law, justice, and anti-corruption.

Market Summary

Global Equities – World equities rallied throughout the week, with the MSCI World Index gaining 2.33% as at Thursday’s close. Growing concerns that the US Federal Reserve’s interest rate increases could trigger a recession, actually saw investors price in a shallower pace of rate hikes over the coming 12 to 18 months. On the back of the turn in sentiment, the US S&P 500 posted its first weekly gain in a month. European stocks on the other hand, fell to their lowest levels in 16 months due to rising fears of recession and the threat of energy shortages as the Russian invasion of Ukraine continues.

Commodities – Raw materials are starting to be affected by the increasing concern that a recession is on the horizon. Oil, copper, and wheat prices led the Bloomberg Commodity Index lower for the fourth day in a row on Friday. Copper prices, which are often seen as a gauge of economic activity, fell to a 16-month low on Thursday, wheat prices hit a four-month low, while oil prices fell c.4%.

Fixed Income – In the UK, at the start of the week, the 10-year gilt yield rose to its highest level since 2014 on the back of remarks from Bank of England’s Chief Economist that the bank would act more aggressively on interest rates if required. By the end of the week however, increasing fears of recession saw sovereign bond yields drawback sharply in Europe with Germany’s 10-year bund yields seeing their largest daily decline in over a decade on Thursday.

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Chart of the Week

UK Inflation Edges Up Headline CPI hits 9.1%



Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US consumer confidence		- China manufacturing PMI - Germany unemployment	- Japan unemployment - US manufacturing PMI

Market Performance – 24/06/2022

Global Market Indices	2022 YTD %*
FTSE 100	-3.04%
S&P 500	-19.95%
STOXX 600	-14.88%
Nikkei 225	-9.18%
Hang Seng	-7.69%
Fixed Income	Yield %
UK 10 Yr Gilt	2.32%
US 10 Yr Treasury	3.10%
Commodities	2022 YTD %
Gold	-0.34%
Currency	
GBP/USD	1.23 (24/06/2022)
GBP/EUR	1.17 (24/06/2022)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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