



Weekly Investment Update

29th July 2022

News Headlines

IMF downgrade – The International Monetary Fund (IMF) has slashed its global growth forecasts and raised projections for inflation. The downgrades had many catalysts, including Russia's ongoing invasion of Ukraine, rapidly tightening financial conditions, and prolonged disruption caused by the pandemic. The IMF now sees growth in gross domestic product (GDP) slowing to 3.2% in 2022, down from 3.6% estimated back in April, and down further to 2.9% in 2023. The IMF raised its forecast for global inflation by almost 1% for this year and next, to 8.3% in 2022 and 5.7% in 2023.

Federal Reserve – The US Federal Reserve chose to increase its benchmark interest rate by 0.75% on Wednesday. In the press conference, the bank's chairman, Jerome Powell, left open the possibility of another 0.75% rate rise in September, but was reluctant to provide any forward guidance, stating that the Committee would be making its decisions on a meeting-by-meeting basis.

US recession? – The US economy shrank at an annualised rate of 0.9% in the second quarter, after a decline of -1.6% in the first. The two consecutive quarters of contraction pushes the US into a technical recession, led by weaker business inventory growth. Despite the contraction however, personal consumption grew by 1%, demonstrating strength still in the economy.

Market Summary

Global Equities – Global equities rallied sharply from Wednesday onwards after a slow start to the week, with the MSCI World Index finishing up 2.20% as at Thursday's close. Robust results from big tech companies indicated the sector's resilience to economic slowdown, allowing investors to scale back expectations of further aggressive rate rises from the Federal Reserve. Consequently, global equities are on track for their best month since late 2020, with the NASDAQ posting its best daily return since April 2020 on Wednesday.

Commodities – Oil prices (Brent Crude & WTI) gained after supplies tightened. Attention now turns to the upcoming OPEC+ meeting next week where supply will be discussed.

The price of gold scaled higher, gaining traction for the third consecutive day on Friday, reaching multi-week highs. The yellow metal rose after the US dollar weakened and Treasury yields fell post the Federal Reserve's meeting. Silver also jumped higher, breaking back above \$20 per ounce to a three-week high.

Fixed Income – US Treasury yields declined throughout the week as investors digested the data showing the US economy is in decline. The declines in yields imply bets of a more gradual pace of central bank tightening going forward, as short dated (2-year) yields fell below 3% and narrowed the spread between short and long dated yields.

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Chart of the Week

US GDP Falls for a Second Quarter Estimates were for small expansion



Source: Bloomberg – US gross domestic product falls for the second consecutive quarter, pushing the US into a technical recession

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- US Manufacturing PMI	- Bank of Australia rate decision		- Bank of England rate decision	

Market Performance – 29/07/2022

Global Market Indices	2022 YTD %*
FTSE 100	1.58%
S&P 500	-14.04%
STOXX 600	-9.09%
Nikkei 225	-3.74%
Hang Seng	-9.74%
Fixed Income	Yield %
UK 10 Yr Gilt	1.87%
US 10 Yr Treasury	2.68%
Commodities	2022 YTD %
Gold	-4.52%
Currency	
GBP/USD	1.22 (29/07/2022)
GBP/EUR	1.19 (29/07/2022)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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