

Weekly Investment Update

12th August 2022



News Headlines

US CPI cools – In the US, year-on-year CPI came in at 8.5% in July, 0.20% below market expectation. Month-on-month also came in softer than anticipated, posting the first contraction since 2020. Despite the softening in inflation data Federal Reserve officials want to see months of evidence that prices are cooling before decisions can be made, stating that interest rates will continue to increase. Some officials are predicting that the target range will climb up to 3.75% by the end of 2022 and 4.40% by the end of 2023.

UK economy – The economy in the UK contracted in the second quarter as households begin to feel the pinch. Gross domestic product (GDP) fell 0.10% over the quarter, after rising 0.70% in the previous quarter. The figures released were very close to the figures forecast by the Bank of England, who expect a rise in third quarter GDP, before huge increases in energy bills in the winter push the UK economy into recession. The UK government also announced that in its “reasonable worst-case scenario” due to the ongoing energy crisis, there could be planned industrial blackouts in January to cope with gas shortages.

Trump raid – FBI agents raided the Florida home of former US president, Donald Trump, on Monday as part of an ongoing investigation into whether he took classified documents from the White House when he left office. The former president called for the immediate release of documents relating the raid, stating that he believed the investigation to be political weaponisation of law enforcement. The ongoing case against Mr Trump may affect his ability to run again in the 2024 US presidential elections.

Market Summary

Global Equities – Equity markets returned a moderate gain, as the MSCI posted an increase of 1.30% for the week as at Thursday’s close. Cooling inflation figures released in the US spurred a rally midweek as investors believed the US Federal Reserve have more scope to be less aggressive with its monetary policy going forward.

Commodities – Both Brent Crude and WTI oil contracts rallied throughout the week after tumbling last week. Strong economic data somewhat eased fears of recession, but gains were capped by an uncertain demand outlook. Gold prices continue to look for direction, hovering around the \$1,800 per ounce mark.

Power prices in Europe rose to an all-time high on Thursday, as the effect of numerous heatwaves and restricted resources supplies from Russia take their toll. European natural gas prices rose to their highest levels since early March, just after Russia invaded Ukraine.

Fixed Income – Global fixed income made slight gains after a sharp rally in yields last week eased, with the Bloomberg Global Aggregate Index returning 0.69%. In the US, short dated yields (2-year) and longer dated yields (10-year) continued to invert, reaching the most inverted the curve has been since 2000.

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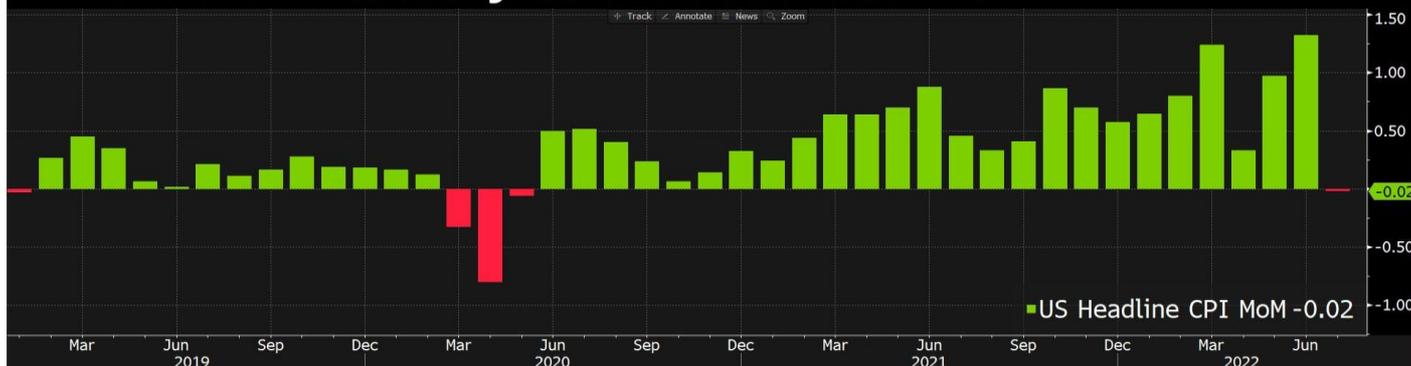
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Chart of the Week

What A Relief! US CPI falls on monthly basis for first time since 2020



Source: Bloomberg – US inflation cools for the first time since 2020

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		- UK CPI yy	- Europe CPI yy	- Japan CPI yy

Market Performance – 12/08/2022

Global Market Indices	2022 YTD %*
FTSE 100	3.76%
S&P 500	-11.14%
STOXX 600	-7.40%
Nikkei 225	-3.38%
Hang Seng	-12.09%
Fixed Income	Yield %
UK 10 Yr Gilt	2.06%
US 10 Yr Treasury	2.89%
Commodities	2022 YTD %
Gold	-2.37%
Currency	
GBP/USD	1.21 (12/08/2022)
GBP/EUR	1.18 (12/08/2022)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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