

# Weekly Investment Update

19<sup>th</sup> August 2022



## News Headlines

**UK data** – UK inflation came in at a 40-year high in July, with the consumer price index rising 10.1% year-on-year, 0.3% higher than economists had forecast as cost pressures became more broad-based. The double-digit figure comes after June's reading of 9.4%, showing a sharp incline month-on-month. The continuing squeeze on the cost of living, a drop in real wages, and mounting pressures across public services dragged consumer confidence in the UK to its lowest level since records began almost 50 years ago. The figure in August fell to -44, down from -41 in July.

**China slowdown** – China's central bank unexpectedly cut its interest rates to avoid further economic slowdown after data showed its retail sales and manufacturing output grew less than anticipated. A government spokesman stated that "the momentum of the economic recovery has slowed. More efforts are needed to consolidate the foundation of economic recovery." China's "zero covid" policy and real estate slowdown have both hindered economic growth in recent months.

**FOMC minutes** – In the latest US Federal Open Market Committee (the policy branch of the Federal reserve) meeting minutes from July, members of the committee suggested that the pace of the central bank's interest rate hikes and balance sheet reduction would be dependent upon market conditions, and that it may be necessary to adjust the rate of tightening policies to assess their effectiveness on inflation control. Next week, global central bankers and key personnel of finance and business convene at the annual economic conference in Jackson Hole, where Federal Reserve Chair, Jerome Powell, will be a key speaker, giving insights into inflation, economic growth, and monetary policy.

## Market Summary

**Global Equities** – Equity markets were subdued, with the MSCI World index posting a slight loss of -0.23% for the week as at Thursday's close. The prospect of more hawkish central banks came back into focus, putting a dampener on the recent rally in risk assets.

**Commodities** – Oil prices, both Crude and WTI, lost ground for the second consecutive week. The drop in prices is being driven by growing fears that the global economy is heading towards a significant slowdown as economic growth continues to weaken in China and Europe. Energy prices across Europe continued to rise, with Germany and France seeing fresh record highs as gas shortages take their toll.

Gold fell to a three-week low, set for the first weekly drop in five. A stronger US dollar and prospects of more interest rate hikes by the US Federal Reserve dented the metal's appeal.

**Fixed Income** – The Bloomberg Global Aggregate index also posted negative returns, falling -0.88% throughout the week. The higher-than-expected inflation figures in the UK led to a selloff among sovereign bonds, with the rise in yields led by the short-end (2 -year) of the yield curve. This saw the short term (2-year) and longer term (10-year) yields invert the most since 2008.

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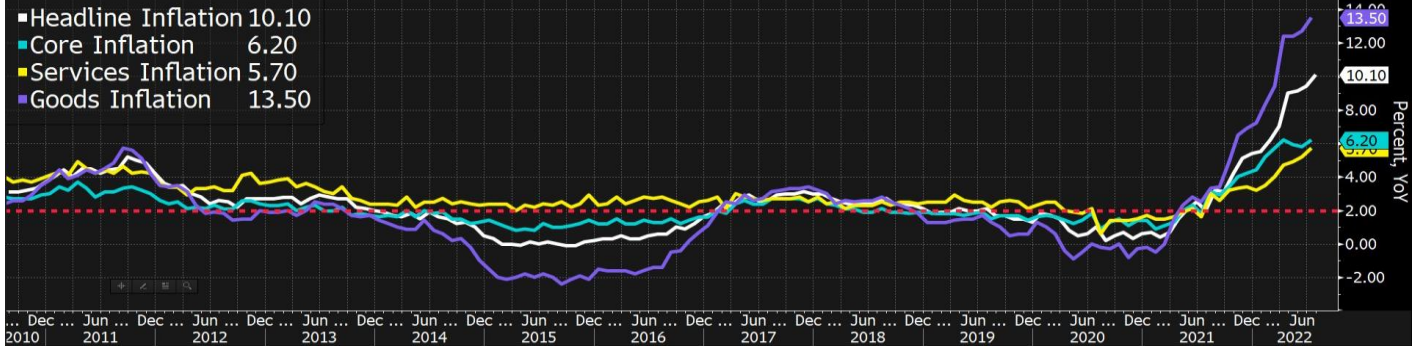
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## Chart of the Week

### UK Inflation Surges Above 10% Cost pressures become more broad-based



Source: Bloomberg – UK inflation hit double figures in July, seeing cost pressures become more broad-based

## Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US new home sales		- Germany GDP - US jobless claims	

## Market Performance – 19/08/2022

Global Market Indices	2022 YTD %*
FTSE 100	5.08%
S&P 500	-9.49%
STOXX 600	-7.20%
Nikkei 225	0.27%
Hang Seng	-13.37%
Fixed Income	Yield %
UK 10 Yr Gilt	2.40%
US 10 Yr Treasury	2.87%
Commodities	2022 YTD %
Gold	-4.27%
Currency	
GBP/USD	1.19 (19/08/2022)
GBP/EUR	1.18 (19/08/2022)

Source: FE Analytics/ Bloomberg.com

\*Total Return/Local currency

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