



» Weekly Investment Update

9th September 2022

News Headlines

Queen Elizabeth II – The UK’s long reigning monarch, Queen Elizabeth II, passed away peacefully on Thursday 8th September at her Scottish home, Balmoral Castle. Buckingham Palace confirmed on Friday that a period of royal mourning is to last until seven days after the Queen’s funeral.

Prime Minister Truss – After a long, drawn-out leadership contest, Liz Truss was voted in by Conservative Party members as the new party leader and Prime Minister. Once in post, the new PM laid out her plans to tackle the ongoing energy crisis, announcing that she would introduce a new Energy Price Guarantee, meaning the typical UK household will now only pay up to an average of £2,500 per year on energy bills. Other announcements included a vow to end the ban on fracking in the UK and a pledge to launch “Great British nuclear”, putting us on a path to deliver up to a quarter of electricity generation with nuclear by 2050.

Xi-Putin meeting – According to Russia’s ambassador in Beijing, Russian President, Vladimir Putin, and Chinese President, Xi Jinping, are set to meet in Uzbekistan next week in what would be the first in-person meeting between the two since Russia’s invasion of Ukraine on the 24th February. The meeting will signal the importance of the Russian relationship to China, as the two leaders continue to solidify a “no limit” partnership in their opposition of the further expansion of NATO.

ECB rate decision – The European Central Bank (ECB) chose to increase its interest rate by 0.75%, up to 1.25%. The increase is the largest ever to be introduced by the bank in its fight to combat soaring inflation across the eurozone. Rising inflation due to natural gas price rises has forced the ECB to tear up its usual rule book of incremental rate increases. The move follows similar moves made by the US Federal Reserve and is expected to put pressure on the Bank of England to follow suit at the next policy meeting.

Market Summary

Global Equities – Equities returned reasonable gains for the week as at Thursday’s close, with the MSCI World index posting an increase of 1.52%. Most of the week’s gains came on Wednesday, as a significant drop in commodity prices due to increased fears of recession raised hopes that central banks could afford to ease up on their aggressive monetary policy stance going into 2023.

Commodities – Fears of recession in major economies sparked a sell-off in commodities, with the Bloomberg Spot Commodity Index dropping c.2.50% over the week. Oil prices (Brent Crude & WTI) tumbled to their lowest prices in more than six months as demand concerns from China prompted a sell-off, with WTI Crude Oil and Brent Crude Oil hitting \$82 and \$88 respectively. Also, natural gas fell c.7% following warnings from the EU that emergency interventions to curb the price of electricity might be necessary.

The price of gold stayed relatively flat, hovering around \$1,730 per ounce after falling to just above \$1,700 per ounce midweek. The bounce back came as the US dollar weakened on Friday.

Fixed Income – Sovereign bonds declined on both sides of the Atlantic, with the Bloomberg Global Aggregate declining -1.18% over the week. In the US, Treasury yields rose after strong economic data signalled that the Federal Reserve could hike its interest rate by 0.75% in the next meeting. In Europe, sovereign bond yields rose on the back of the European Central Bank’s decision to raise its interest.

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Chart of the Week

Pricing of ECB's Hiking Path Markets see very steep hikes ahead



Source: Bloomberg – Markets see very steep interest rate hikes ahead for the European Central Bank.

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	<ul style="list-style-type: none"> - US CPI yy - Germany CPI final yy 	<ul style="list-style-type: none"> - UK inflation 	<ul style="list-style-type: none"> - Bank of England rate decision - US retail sales 	<ul style="list-style-type: none"> - Euro inflation yy

Market Performance – 09/09/2022

Global Market Indices	2022 YTD %*
FTSE 100	-0.38%
S&P 500	-15.52%
STOXX 600	-13.71%
Nikkei 225	-3.10%
Hang Seng	-16.56%
Fixed Income	Yield %
UK 10 Yr Gilt	3.13%
US 10 Yr Treasury	3.31%
Commodities	2022 YTD %
Gold	-5.94%
Currency	
GBP/USD	1.15 (09/09/2022)
GBP/EUR	1.15 (09/09/2022)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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