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Investment Management

Weekly Investment Update

16th September 2022

News Headlines

Russia/Ukraine conflict – In the past week, Ukrainian troops successfully performed a swift counter attacking operation in the north-east region of Ukraine, which President Volodymyr Zelenskyy claims led to them recapturing around 3,100 square miles of territory. Zelenskyy afterwards visited the liberated city of Izium, where he spoke at a flag raising ceremony and promised to liberate all of Ukraine, including Crimea. Returning from the visit back to Kyiv, Zelenskyy was left unhurt after he was involved in a car crash, the incident is currently being investigated.

UK inflation – UK inflation fell for the first time in nearly a year, down from 10.1% to 9.9%, on the back of a sharp fall in fuel prices. Despite this, economists are warning that inflation will likely peak at around 11% in October when the new energy price cap hits. The Bank of England (BoE) has postponed its rate decision to 22nd September out of respect of the Queen's passing. On the back of the recent inflation data, markets are pricing in an 80% chance that the BoE will raise rates by 0.75% to 2.5% and will continue raising rates into next year, despite the risk of recession and a slowing economy.

US CPI – Core Consumer Price Index (a measure of spending which accurately reflects the level of inflation within the economy) was up sharply by 0.6% in the US, higher than market expectations. A more hawkish stance by the Federal Reserve (Fed) is likely, as they try to bring the inflation problem under control. Markets are currently assigning a 25% chance of a full percentage point increase with the remaining 75% pointing towards a third consecutive 0.75% hike. This has caused a rally in the US Dollar and caused a huge sell off in equity and bond markets across the board.

Market Summary

Global Equities – Inflation data in the US sparked an ugly stock sell off, causing equities to fall globally with the MSCI World Index losing c.-3.4% throughout the week as at Thursday's close. This week saw one of the worst single day performances since the pandemic, with the S&P 500 dropping c.-4.3% and the NASDAQ dropping c.-5.5% on Tuesday. Investors continue to price in aggressive rate hikes from multiple central banks over the coming months which continues to impact global equity values.

Commodities – Gold dropped c.1.2% from $1,726 to $1,705 on Tuesday and dropped c.3.8% over the week as markets priced in a more hawkish response from the Fed.

Oil prices fell on Thursday morning with WTI Crude Oil falling c.-4% to $84.97 and Brent Crude Oil falling c.-3.8% to $90.53 following the news that the US will refill their Special Petroleum Reserves (SPR) with sub-$80 oil along with demand fears from poor economic data.

Fixed Income – Markets are expecting a much more hawkish Fed which has led to a huge sell off in the bond markets. This has led to the 2-year Treasury yield (the most sensitive to policy changes) increasing to its highest level since 2007 of 3.76% and the 10-year Treasury yield rising to 3.41%. There is a similar story in Europe, as sovereign bond yields have risen in response to expectations that the European Central Bank will continue to increase rates.

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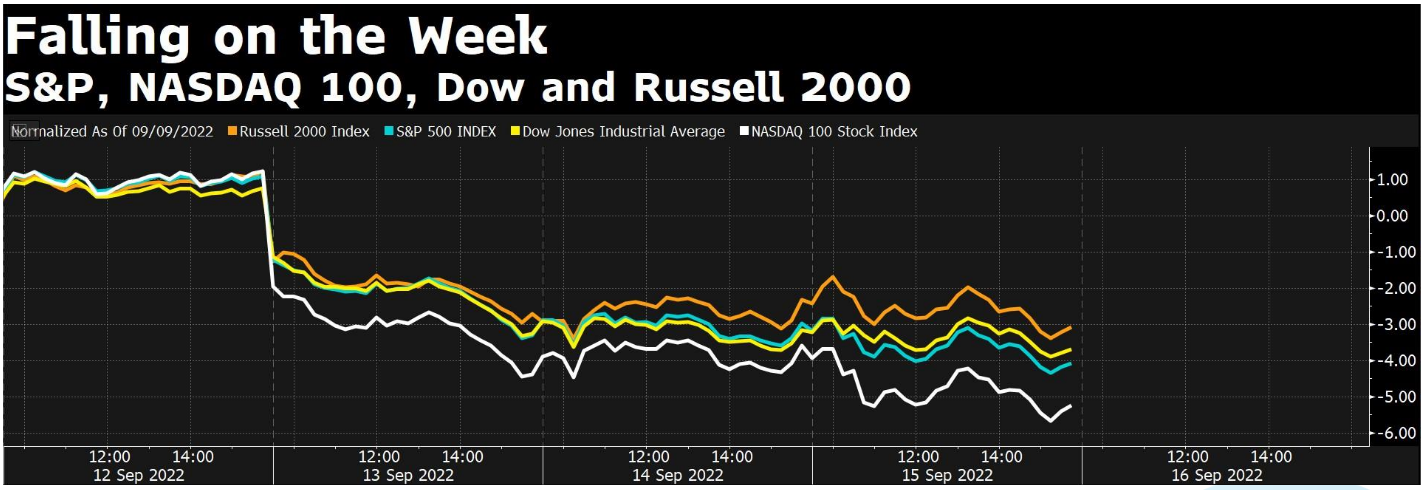
Chart of the Week



Source: Bloomberg – The S&P, NASDAQ 100, DOW and Russell 2000 all made losses through the week

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- Japan CPI - US building permits	- US FOMC rate announcement	- Bank of England rate decision - US jobless claims	

Market Performance – 16/09/2022

Global Market Indices	**2022 YTD %***
FTSE 100	-0.10%
S&P 500	-17.69%
STOXX 600	-13.56%
Nikkei 225	-3.75%
Hang Seng	-16.13%
Fixed Income	**Yield %**
UK 10 Yr Gilt	3.18%
US 10 Yr Treasury	3.44%
Commodities	**2022 YTD %**
Gold	-9.67%
Currency	
GBP/USD	1.15 (16/09/2022)
GBP/EUR	1.15 (16/09/2022)

Source: FE Analytics/ Bloomberg.com **Total Return/Local currency*

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