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Investment Management

Weekly Investment Update

23rd September 2022

News Headlines

UK mini budget – In an attempt to invigorate the UK's waning economy, chancellor Kwasi Kwarteng delivered a 30-point mini-budget to the House of Commons on Friday. The main points of the package aimed at stimulating growth included a cut to stamp duty, tax cuts for businesses and individuals, an emergency plan to hold down energy bills, and regulatory reforms including a lifting of the cap on banker bonuses and an overhaul of environmental legislation. During the announcement, the pound fell below 1985 levels versus the US dollar, with 1 pound buying $1.11.

Central banks – The US Federal Reserve chose to raise its interest rate once again in the latest meeting, with committee members voting unanimously to raise rates by 0.75%, bringing the target for the Federal Funds Rate to 3-3.25%. The latest "dot plot" forecasts now show a more aggressive path of interest rate hikes than previously expected, with the Federal Fund's Rate now forecast to go as high as 4.4% by the end of 2022, a full percentage point higher than end of year predictions back in June. The Swiss National Bank also raised its interest rate by 0.75% on Thursday, the biggest rate hike ever from the bank, taking the policy rate from -0.25% to 0.50%. The Bank of England chose to raise its interest rate by 0.50%, up to 2.25%. The half-point move was voted for by five of the nine-person Monetary Policy Committee as the committee lowered its forecast for peak inflation from 13% to 11%, suggesting a deep recession may be avoided after PM Liz Truss's energy relief plan. In contrast to other major central banks, the Bank of Japan decided to maintain its dovish stance and kept its ultra-low interest rates in place, pledging to promote the nation's economic expansion.

Russian escalation – Four areas of Russian-controlled Ukraine will be holding referendums from the 23rd to the 27th September on whether or not they should be part of Russia. UK Foreign Secretary, James Cleverly, stated that the UK would "never recognise the results of any sham referendums or attempts to annexe Ukraine's sovereign territory". Also, Russian President, Vladimir Putin, has called for the mobilisation of more than 300,000 army reservists in a pre-recorded televised broadcast as Russian forces face heavy losses in Ukraine. Putin also threatened to use nuclear weapons to defend Russia from NATO attempts to "weaken, divide and destroy" it.

Market Summary

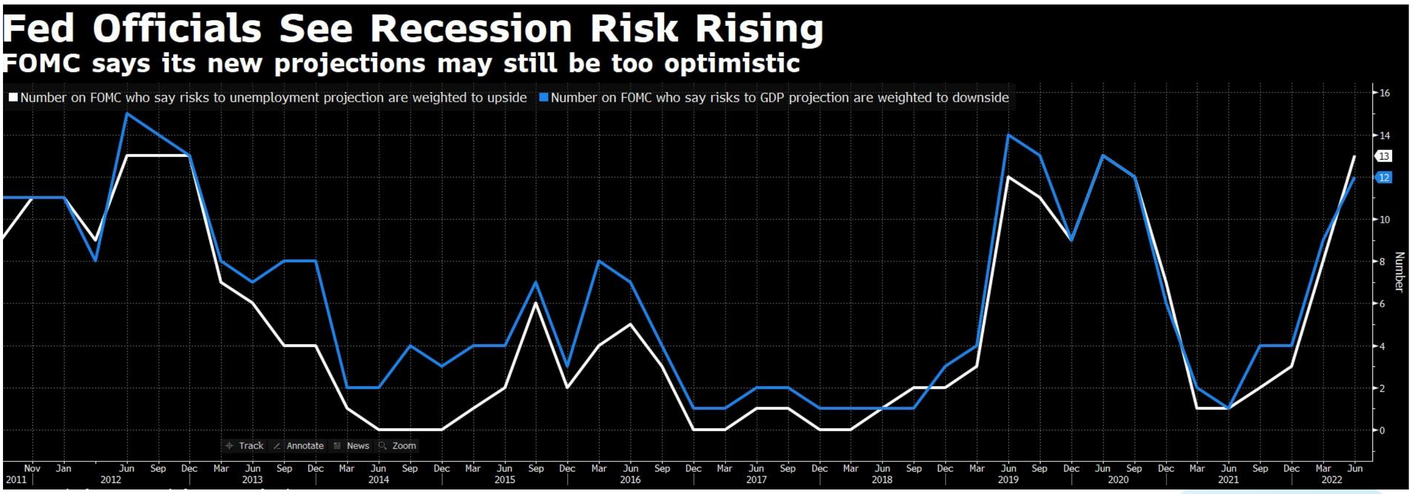
Global Equities – Hawkishness of central banks globally led to a decline in equities, as the MSCI World Index fell -3.09% for the week as at Thursday's close. Investors now expect a more aggressive pace of rate hikes over the next few months, with US, UK and European central banks now indicating an interest rate hike of 0.75% in their next meetings. The US S&P 500 moved deeper into bear market territory and is on track for its worst annual performance since 2008. European stocks saw a steep decline, with the STOXX 600 index falling below its July lows, hitting a 20-month low. Asian equities returned their sixth consecutive weekly loss as the Hong Kong Hang Seng index hit lows not seen since 2011.

Commodities – Gold lost some more of its shine, falling below levels not seen since 2020, remaining below $1,700 per ounce.

Oil prices (Brent Crude & WTI) fell sharply as rises in interest rates globally spurred fears of a possible global recession.

Fixed Income – Sovereign bond markets were just as volatile as equity markets throughout the week after central banks continued with their aggressive monetary policy stances, with the Bloomberg Global Aggregate index declining by -1.60% over the week. In the US, UK, and Europe, 10-year bond yields surged, with UK Gilts being the biggest underperformer.

Chart of the Week



Source: Bloomberg – US Federal Reserve sees increased risk of a US recession

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US consumer confidence - US new home sales		- Germany CPI yy - US jobless claims	- Japan & Germany unemployment -Chain manufacturing PMI - EU inflation yy

Market Performance – 23/09/2022

Global Market Indices	**2022 YTD %***
FTSE 100	-1.77%
S&P 500	-20.71%
STOXX 600	-16.65%
Nikkei 225	-6.24%
Hang Seng	-19.53%
Fixed Income	**Yield %**
UK 10 Yr Gilt	3.50%
US 10 Yr Treasury	3.71%
Commodities	**2022 YTD %**
Gold	-8.84%
Currency	
GBP/USD	1.13 (23/09/2022)
GBP/EUR	1.14 (23/09/2022)

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

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