Weekly Investment Update

30th September 2022

News Headlines

UK economic turmoil – In the days after Kwasi Kwarteng's mini-budget was announced, investor sentiment in the UK plummeted. The International Monetary Fund offered their thoughts on the impact of the policies if they remain in place, recommending that the tax cuts announced be reversed. The Bank of England were forced to intervene in the UK gilt market, announcing that it would temporarily buy long-term bonds and suspend the planned issue of new debt scheduled for next week after yields spiked following the announcement of unfunded tax cuts in the budget. Both Liz Truss and Kwasi Kwarteng remain adamant that this is the best plan to stimulate growth in the UK, however, in the most recent voting intention polls, the Labour party received a massive boost, gaining 33 points against the Conservative Party.

Russian referendum – In what was labelled as a "sham" by Western leaders, four areas of Russian-controlled Ukraine held referendums from the 23rd to the 27th September on whether or not they should be part of Russia. Russian officials announced that all four occupied areas of Ukraine voted to join Russia, with the regions voting 87%, 93%, 98% and 99% respectively in favour. Russia's parliament said lawmakers could consider annexation legislation on 4th October in what would be seen as a further escalation in the ongoing war.

Nord Stream pipeline – After unexpected leaks were detected in the Nord Stream national pipelines, Sweden and Denmark announced their initial investigations determined that sabotage was the most likely the cause of the damage and the leaks. Nord Stream operators stated that they could not determine when the pipelines will be fixed, as it looks more and more unlikely that Europe will receive any more gas before winter.

Market Summary

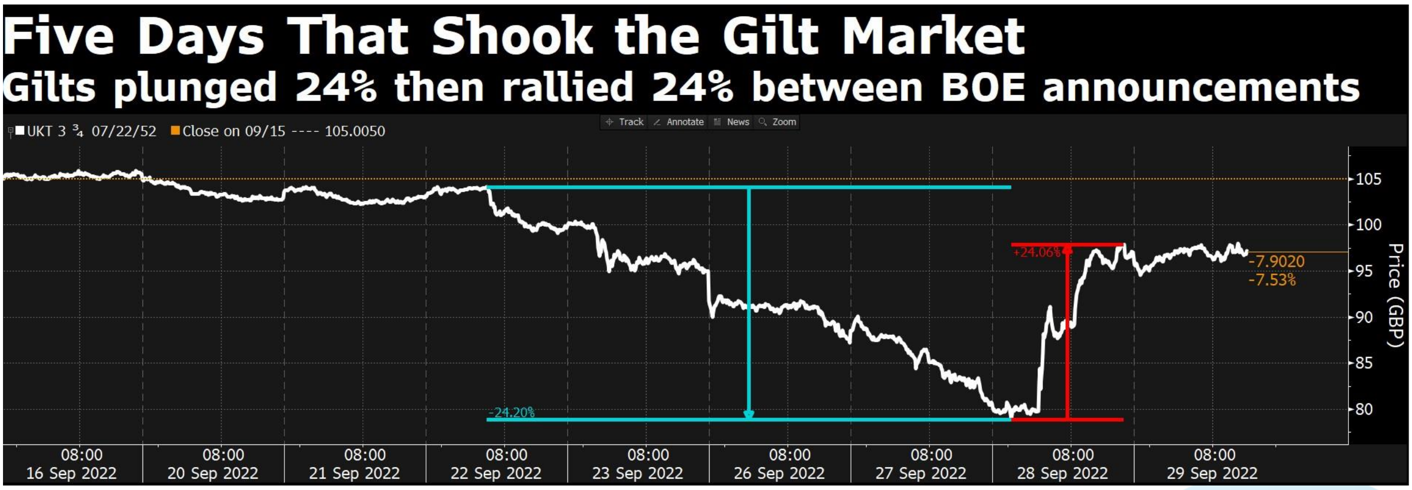
Global Equities – Equities posted declines for the week, owing to several downside catalysts, as the MSCI World index fell -1.44% as at Thursday's close. Any sign of relief rallies was quickly wiped out, giving investors little respite. In the US, the S&P 500 hit a 21-month low on Thursday after stronger than expected weekly initial US job claims stoked fears of further aggressive interest rate hikes by the Federal Reserve as the data showed the labour market remained in decent shape. In Europe, German inflation moved into double digits in September for the first time in 70 years, putting pressure on the STOXX 600 index. These factors, as well as escalating geopolitical tensions and continued hawkish rhetoric from key central banks saw the S&P 500 and STOXX 600 on course for their third consecutive quarter for the first time since the financial crisis.

Commodities – Oil contracts (Brent Crude & WTI) managed to claw back some of their recent losses, heading for their first weekly gain in five weeks. Underpinning the move higher was a weaker US dollar and the possibility that OPEC+ may agree to cut crude output when it meets in October.

Weakening US bond yields as well as a weakening dollar saw gold provide its biggest one-day gain in two months on Wednesday, with the precious metal returning +0.84% over the week as at Thursday's close.

Fixed Income – This week was all about the volatility of UK gilts. Further adding to the already disastrous year for UK government debt, the 10-year gilt yield rose above 4% for the first time since 2010 as traders ramped up bets that the Bank of England (BoE) would be forced to implement an emergency interest rate hike to calm markets. The yield on the 30-year gilt rose to as high a 5.1% before the long-end bond buying announcement was made by the BoE, which stabilised the market, seeing the yield shoot down by 1%.

Chart of the Week



Source: Bloomberg – Volatility in the gilt market saw the Bank of England intervene

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- US ISM manufacturing PMI	- Australia cash rate decision	- US ADP employment report	- US jobless claims - Europe retail sales yy	- US employment rate

Market Performance – 30/09/2022

Global Market Indices	**2022 YTD %***
FTSE 100	-5.50%
S&P 500	-23.17%
STOXX 600	-20.13%
Nikkei 225	-8.10%
Hang Seng	-23.88%
Fixed Income	**Yield %**
UK 10 Yr Gilt	4.08%
US 10 Yr Treasury	3.78%
Commodities	**2022 YTD %**
Gold	-8.73%
Currency	
GBP/USD	1.11 (30/09/2022)
GBP/EUR	1.13 (30/09/2022)

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

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