

» Weekly Investment Update

7th October 2022



News Headlines

Australian central bank surprise – The Reserve Bank of Australia (RBA) chose to increase its interest rate on Tuesday, but the rate rise was smaller than had been expected at only 0.25%. The bank stated that it had already increased rates substantially, although it added that further monetary tightening would be needed in future meetings. The smaller than expected rate rise sparked a global rally in financial markets as investors hoped other major central banks would follow suit. Rates markets are now pricing in rate cuts for key central banks next year despite the US Federal Reserve insisting they have no plans to reduce borrowing costs.

Nuclear threat – In contrast to comments from the US's National Security Advisor, who stated last week the US doesn't see indications about the imminent use of weapons by Russian President, Vladimir Putin, US President Joe Biden has said that the US is trying to find an "off-ramp" for Putin and worries that his threats to use nuclear weapons are real and could lead to "Armageddon". Meanwhile, tensions between North Korea and South Korea have intensified after North Korea tested a number of ballistic missiles and flew war planes near South Korea's border. US and South Korean Joint Chiefs of Staff are continuing to "strengthen our operational capabilities and readiness to respond to any provocations by North Korea".

Truss' fight to survive – In Prime Minister Liz Truss' first month in charge, investors turned away from putting their money into the "uninvestable" UK market. Truss' government has seen at least £300 billion wiped from the combined value of the UK's stock and bond markets fuelled by the economic impact of tax cuts. This saw the pound hit a record low versus the US dollar, and intervention by the Bank of England prompted a humiliating government U-turn on tax cuts for the highest earners, as confidence in decision makers plummeted. At the latest Conservative Party conference, the PM was heckled by protesters during her speech and attended private meetings to avoid publicity while her cabinet squabbled in public.

Market Summary

Global Equities – The possibility that central banks globally could pivot and ease their current aggressive monetary policy sparked a rally in equity markets at the start of the week, which somewhat fizzled out towards the end. The US S&P 500 had its best 2-day performance since April 2020 in a broad-based rally, which was replicated globally, as European indices saw their strongest daily performance since March. By the end of the week, however, hopes of a dovish pivot were dashed after several Federal Reserve Presidents reiterated their hawkish rhetoric, stating that they do not see the bank cutting interest rates next year, emphasising that rates must be lifted and held there indefinitely until they see how the economy and prices react. All things considered, the MSCI World index posted a welcomed gain of +4.23% for the week as at Thursday's close.

Commodities – Oil prices are on track to post a second weekly gain after the OPEC+ alliance agreed to its biggest production cut since 2020. For the US, who have spent the last week trying to persuade Saudi Arabia and other members to change the outcome of the meeting, this cut in production is a clear indication that Saudi Arabia is willing to help Vladimir Putin over Joe Biden. The move to cut production prompted Goldman Sachs to raise their oil price forecasts, putting both Brent and WTI back above \$100 before year end. Silver staged quite the rally this week, rising above \$20, while gold hit a 3-month high after the US dollar finally lost some strength and US Treasury yields fell.

Fixed Income – Bonds remained relatively unchanged after prices spiked midweek. Reiteration of central bank hawkishness pushed yields back up, as the Bloomberg Global Aggregate Index returned just 0.20% for the week as at Thursday's close.

The information provided is not to be treated as specific advice. It has no regard for the specific investment objectives, financial situation or needs of any specific person or entity. The investments discussed in this document may not be suitable for all investors. This is for professional advisers only and clients should refer directly to an independent financial adviser.

Ascencia Investment Management Limited is a subsidiary of Frenkel Topping Group Plc and is authorised and regulated by the Financial Conduct Authority No: 409409. Ascencia Investment Management Limited Registered in England No: 05010380.



Address:
Frenkel House, 15 Carolina Way, Salford, Manchester, M50 2ZY

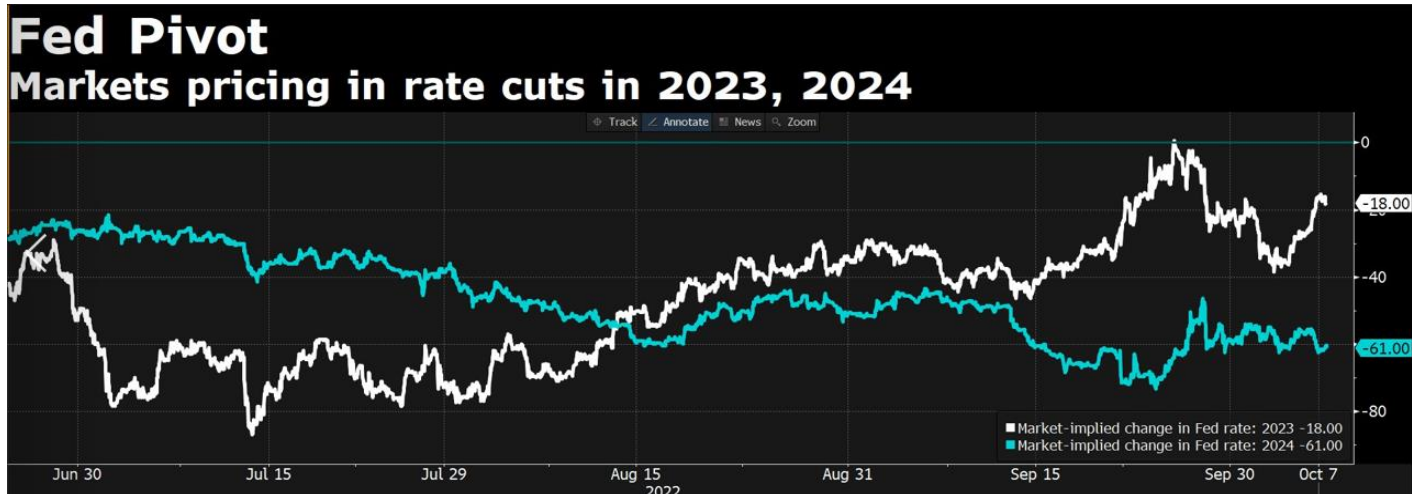


Enquiries:
0161 886 8000
enquiries@ascenciaim.co.uk



Web:
www.ascenciaim.co.uk

Chart of the Week



Source: Bloomberg – Investors now expect the US Federal Reserve to cut interest rates next year and beyond

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	<ul style="list-style-type: none"> - US claimant count rate - Australia NAB business confidence 	<ul style="list-style-type: none"> - US PPI inflation yy - US producer prices core yy 	<ul style="list-style-type: none"> - US CPI yy - Germany CPI yy - US jobless claims 	<ul style="list-style-type: none"> - China CPI yy - US retail sales

Market Performance – 07/10/2022

Global Market Indices	2022 YTD %*
FTSE 100	-3.89%
S&P 500	-20.93%
STOXX 600	-17.31%
Nikkei 225	-5.01%
Hang Seng	-20.13%
Fixed Income	Yield %
UK 10 Yr Gilt	4.20%
US 10 Yr Treasury	3.82%
Commodities	2022 YTD %
Gold	-6.47%
Currency	
GBP/USD	1.12 (07/10/2022)
GBP/EUR	1.14 (07/10/2022)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

The information provided is not to be treated as specific advice. It has no regard for the specific investment objectives, financial situation or needs of any specific person or entity. The investments discussed in this document may not be suitable for all investors. This is for professional advisers only and clients should refer directly to an independent financial adviser.

Ascencia Investment Management Limited is a subsidiary of Frenkel Topping Group Plc and is authorised and regulated by the Financial Conduct Authority No: 409409. Ascencia Investment Management Limited Registered in England No: 05010380.



Address:
Frenkel House, 15 Carolina Way, Salford, Manchester, M50 2ZY



Enquiries:
0161 886 8000
enquiries@ascenciaim.co.uk



Web:
www.ascenciaim.co.uk