



Weekly Investment Update

14th October 2022

News Headlines

Budget reversal – Governor of the Bank of England (BoE), Andrew Bailey, vowed to end the central bank’s emergency bond-buying facility on the 14th October, which has supported bond markets since the announcement of the mini budget. The threat of an end to this support from the BoE prompted the markets to predict that Prime Minister, Liz Truss, would abandon plans laid out in the mini budget of a massive package of underfunded tax cuts at a time of high inflation and monetary tightening. On Friday, Truss asked the chancellor Kwasi Kwarteng to “stand aside”, but the only policy to be reversed was the cut in corporation tax set by the former chancellor just a few weeks ago. Jeremy Hunt, who ran in the recent Conservative Party leadership campaign, has been appointed as the new chancellor.

US CPI – The inflation problem in the US showed no signs of letting up in September, with overall CPI (including food and energy) rising by 8.2% year-on-year in September, showing little change from the 8.3% rise recorded in August. Investors now have to weigh whether they believe the US Federal Reserve will have to become even more aggressive with its monetary policy in an effort to tame the rampant inflation.

Trump subpoena – Former US president, Donald Trump, has been subpoenaed by the congressional committee investigating the attack on the US Capitol on January 6th last year. The committee members unanimously agreed that Trump was responsible for the violence on that day and laid out a roadmap for prosecution.

Market Summary

Global Equities – Equities globally etched out a slight gain over the week, with the MSCI World index closing just 0.05% higher as at Thursday’s close. Equities declined steadily throughout the week in anticipation of another hot inflation reading from the US. The declines reversed however on Thursday, surprisingly, after the higher-than-expected US CPI figures were released. In the US, equity indices experienced price swings never seen before on Thursday as a uniform plunge turned into an everything rally. The S&P 500 reversed a -2.4% loss and closed 2.6% higher on the day, with Bloomberg suggesting that the lows seen intraday may have triggered technical buy programmes to kick in. Over in Asia, Chinese equities lost ground as the US imposed new export curbs on semiconductor supplies to the country. The restrictions saw the Hong Kong Hang Seng index plummet to an 11-year low.

Commodities – After climbing for the last two weeks, oil prices are set to post a weekly loss this week after the higher-than-expected inflation data in the US highlighted looming economic problems, raising concerns of an imminent global recession. The medium to long term prediction for oil prices is positive, however, as they should move higher as supplies increasingly tighten.

Silver tumbled against the US dollar, falling back below \$19 per ounce, while gold prices fell below \$1,650 per ounce amid fears of more interest rate increases by the US Federal Reserve.

Fixed Income – This week brought sharp focus on the UK’s bond market as the Bank of England’s bond buying programme came to an end. UK gilts rallied on Friday as a U-turn of the corporation tax cut laid out in the mini budget brought relief to the bond market and instilled some confidence back into the economy as fiscal policies are now slightly more aligned with the monetary policy of the BoE.

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Chart of the Week

Gilt Market Anarchy Market faces last day of emergency BOE purchases



Source: Bloomberg – Bank of England (BoE) fails to calm markets, with a sell off in gilts continuing despite emergency purchases

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- China GDP yy	- UK CPI yy - Europe inflation yy	- US jobless claims - Australia employment & unemployment	- UK retail sales yy - Japan CPI

Market Performance – 14/10/2022

Global Market Indices	2022 YTD %*
FTSE 100	-5.88%
S&P 500	-22.49%
STOXX 600	-18.80%
Nikkei 225	-8.74%
Hang Seng	-27.33%
Fixed Income	Yield %
UK 10 Yr Gilt	3.99%
US 10 Yr Treasury	3.96%
Commodities	2022 YTD %
Gold	-8.95%
Currency	
GBP/USD	1.13 (14/10/2022)
GBP/EUR	1.16 (14/10/2022)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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