



# Weekly Investment Update

11<sup>th</sup> November 2022

## News Headlines

**US inflation** – US inflation dropped to its lowest level since January in October, as annual consumer price growth slowed to 7.7% year-on-year, lower than the 8% expected by economists. The lower-than-expected figure eases pressure on the US Federal Reserve in its pursuit to combat inflation, potentially allowing the bank to ease up on its policy of aggressive interest rate rises. A number of Federal Reserve officials have already backed slowing the pace of interest rate increases in its next meetings.

**US midterms** – US midterm election results came in tighter than expected this week. Many had predicted a “red wave” of Republican victories before Tuesday’s vote, but this didn’t materialise as high-profile Republican candidates failed in races seen as tests of the party’s appeal to the American voter. Despite losing in key voting areas, Republicans are still headed towards control of the US House, with control of the Senate to be decided by the vote in Georgia, which may be decided by a runoff if either candidate in that state receives more than 50% of the vote.

**UK economy** – The UK economy shrank more than anticipated in September, contracting for the third quarter, suggesting the country has entered a recession. Gross domestic product (GDP) fell by 0.6% in September as a result of a continued weakness in household and business confidence, higher inflation, and higher interest rates. The Bank of England forecast that the third quarter would be the start of a long recession lasting two years.

## Market Summary

**Global Equities** – Cooling inflation in the US prompted a remarkable relief rally in equities as investors increased their expectations that the US Federal Reserve would slow the pace of interest rate increases in its upcoming meetings. Investors dumped their US dollars in favour of risk assets, as the dollar index suffered its worst one-day performance since 2015. US stocks posted their strongest one-day gains in more than two and a half years, with the S&P 500 index and tech-heavy Nasdaq Composite posting gains of 5.5% and 7.4% respectively on Thursday. Stocks around the world followed suit, although not as aggressively, as the MSCI World index returned 5.20% for the week as at Thursday’s close.

**Commodities** – Precious metals rallied versus the US dollar after the inflation data came in. Gold prices hit eleven-week highs, set for their best week since February as bond yields declined. Silver prices continued their recent rally, hitting fresh highs not seen since June.

Oil prices (WTI & Brent Crude) declined, wiping out last week’s gains as the US government reported a large crude stockpile build.

**Fixed Income** – With expectations of a more dovish Federal Reserve, Treasuries in the US surged across the board. The 2-year (short dated) yield saw its largest one-day decline since 2008. Prospects of dovish central bank policy spreading was evident in Europe too as yields across the continent dropped sharply.

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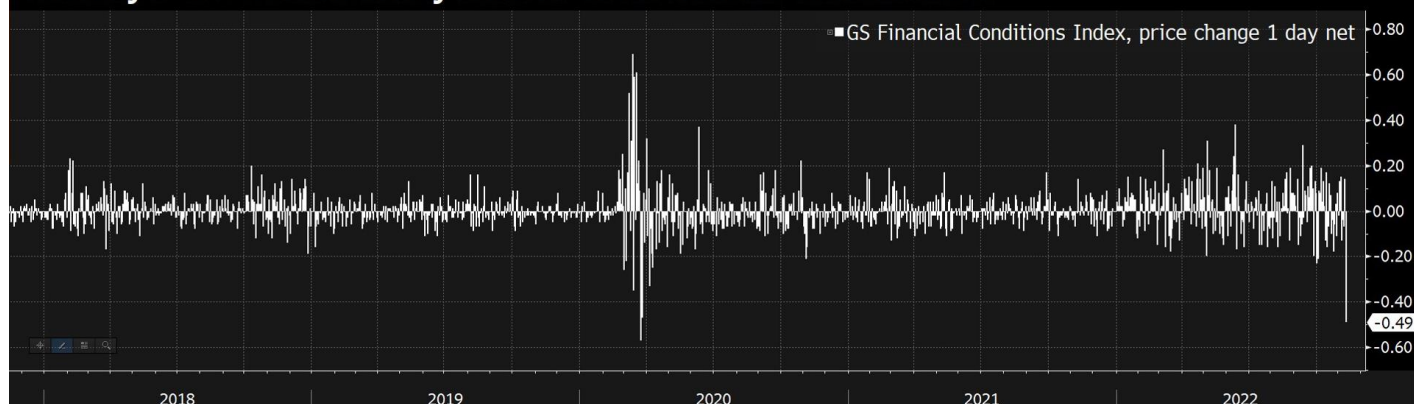


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## Chart of the Week

### Financial Conditions Ease Massively

Yesterday's CPI reaction nearly same as Covid stimulus announcement



Source: Bloomberg – Financial conditions eased as inflation cooled in the US

## Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	<ul style="list-style-type: none"> <li>- UK claimant count rate</li> <li>- US PPI inflation yy</li> <li>- Euro GDP flash estimate</li> </ul>	<ul style="list-style-type: none"> <li>- UK CPI inflation yy</li> <li>- US retail sales</li> </ul>	<ul style="list-style-type: none"> <li>- Euro inflation yy</li> <li>- US jobless claims</li> <li>- Japan CPI</li> </ul>	<ul style="list-style-type: none"> <li>- UK retail sales yy</li> </ul>

## Market Performance – 11/11/2022

Global Market Indices	2022 YTD %*
FTSE 100	1.50%
S&P 500	-16.36%
STOXX 600	-9.79%
Nikkei 225	-4.42%
Hang Seng	-28.64%
Fixed Income	Yield %
UK 10 Yr Gilt	3.29%
US 10 Yr Treasury	3.83%
Commodities	2022 YTD %
Gold	-4.48%
Currency	
GBP/USD	1.18 (11/11/2022)
GBP/EUR	1.14 (11/11/2022)

Source: FE Analytics/ Bloomberg.com

\*Total Return/Local currency

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