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Investment Management

Weekly Investment Update

18th November 2022

News Headlines

UK economy – As people in the UK face the highest squeeze in living standards since records began 66 years ago, the UK's latest Chancellor, Jeremy Hunt, unveiled a number of measures in his Autumn Statement aimed at cutting spending and increasing tax in order to fill a £55 billion fiscal hole. In the statement, the chancellor announced £30 billion in spending cuts and £25 billion of tax rises in order to restore credibility in Britain's economy, while also trying to tame persistently high inflation. Most of the austerity measures are not due to come into action until 2024 however, allowing the economy some breathing room for the next few years as the country navigates through a recession. Key points in the statement included a lowering of the capital gains tax allowance and dividend tax allowance over the coming years, a drop in the threshold for higher rate taxpayers, council tax increases, bigger budgets for schools and the NHS, and household energy bills capped at £3,000 a year, instead of £2,500.

Geopolitics – A missile blast in a rural Polish village on the border between Poland and Ukraine, which killed two people, sparked concerns of a major escalation in the war between Russia and Ukraine. Early news stories pointed the blame towards Russia, which would require NATO to discuss retaliation, however, US and Polish intelligence could not find any evidence that it was an intentional Russian missile. Instead, intelligence assessed that a Ukrainian air defence missile was behind the strike, which eased tension between Russia and NATO allies.

Market Summary

Global Equities – Equities struggled for momentum, losing their shine after the remarkable rally seen last week as US CPI came in lower than expected. The rally in risk assets petered out after US Federal Reserve officials reiterated their hawkishness, corporate earnings came in weak, and strong retail sales data in the US saw hopes of a dovish pivot from the Federal Reserve diminish somewhat. The MSCI World index lost ground, declining -1.12% for the week as at Thursday's close. Stocks in the US and Europe remained relatively flat, while in Asia, the Hong Kong Hang Seng continues to outperform after the People's Bank of China kept interest rates steady and pumped a significant amount of liquidity into the market. The Hang Seng is now in a bull market, after a more than 20% rise from its 13-year low seen in October.

Commodities – The Bloomberg Commodity Spot index fell by -0.72%. Oil prices (Brent & WTI) are set to finish the week lower after a number of negative sessions. Hawkish signals from the US Federal Reserve, as well as rising Covid-19 cases in China sparked concerns of slowing global demand.

The price of gold maintained levels above $1,750 per ounce. Fears of an escalation of the war in Ukraine after a missile landed in Poland pushed prices higher initially, before, thankfully, those fears of NATO involvement were quashed, bringing the precious metal's price back down.

Fixed Income – Global fixed income saw slight gains, as the Bloomberg Global Aggregate returned 0.37% for the week as at Thursday's close. The risk-off tone after hawkish central banker comments saw yields in the US and Europe fall, and in the US, 2-year (short dated) and 10-year (long dated) yields inverted the most since 1982.

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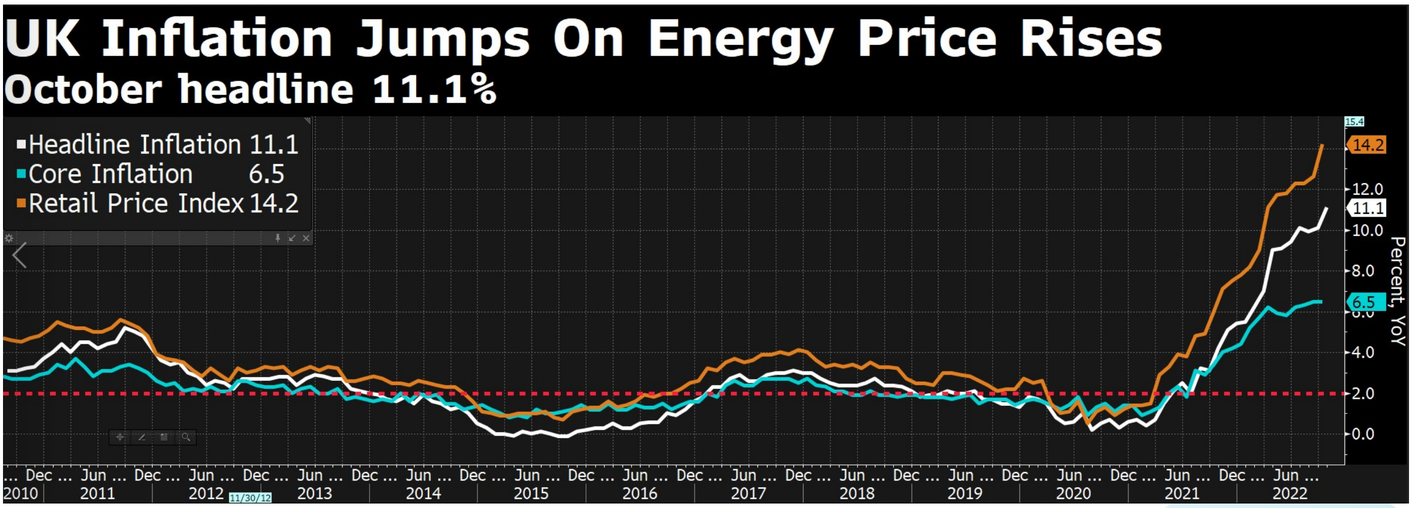
Chart of the Week



Source: Bloomberg – UK inflation rises by 11.1% year-on-year in October

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		- US initial jobless claims - US new home sales - US durable goods orders		- Germany GDP q/q - Germany GDP yy

Market Performance – 18/11/2022

Global Market Indices	**2022 YTD %***
FTSE 100	1.20%
S&P 500	-16.50%
STOXX 600	-10.49%
Nikkei 225	-2.72%
Hang Seng	-19.92%
Fixed Income	**Yield %**
UK 10 Yr Gilt	3.19%
US 10 Yr Treasury	3.78%
Commodities	**2022 YTD %**
Gold	-3.59%
Currency	
GBP/USD	1.19 (18/11/2022)
GBP/EUR	1.14 (18/11/2022)

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

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