



# » Weekly Investment Update

2<sup>nd</sup> December 2022

## News Headlines

**Smaller hike** – At a conference on Wednesday, Chairman of the US Federal Reserve, Jerome Powell, signalled that the central bank will slow the pace of interest rate increases in December. In a Q&A session after the remarks, he said that himself and his colleagues “do not want to overtighten”, which backed up market expectations that the bank would ease up on its aggressive monetary policy stance. However, Powell reiterated that borrowing costs would need to keep rising and remain restrictive for some time to beat inflation and the path ahead “remains highly uncertain”.

**Biden/Putin talks** – US President Joe Biden has said that he would engage with Russian President Putin about the war in Ukraine if Putin is serious about ending the invasion. Officials in the US still believe that the war will continue through the winter months as Russia has shown no intention of stopping or slowing military operations.

**China** – China’s strict covid policy will likely become more pragmatic in the upcoming meeting of the Communist Party’s top decision makers. After a week of heavy protests against the current zero Covid policy and a slowdown in economic activity in November due to strict lockdowns, officials seem to have changed stance with some virus-infected people in Beijing now being allowed to isolate at home rather than a government quarantine site. China’s top official in charge of the battle against Covid said the country is entering a new phase, with the omicron variant weakening and more of the population getting vaccinated.

## Market Summary

**Global Equities** – The equity rally reignited, with the MSCI World index returning 1.43% for the week as at Thursday’s close. Remarks from Federal Reserve Chairman, Jerome Powell, suggesting that the bank would slow the pace of interest rate increases in December, sparked a global equity rally. The strong performance saw US stocks post back-to-back monthly gains for the first time since 2021 as the US dollar fell to a five-month low versus a basket of other major currencies. A possible pivot in Covid policy in China, as well as further stimulus measures to revive a slowing economy saw equities surge. The Hong Kong Hang Seng gained 6.62% for the week, finishing off a quite incredible month in November, which saw a return of 26.79%.

**Commodities** – Commodity markets gained on the back of Jerome Powell’s comments on Wednesday. Oil prices (Brent Crude & WTI) rallied sharply, set for weekly gains helped by the news that China is relaxing Covid-related restrictions.

Gold surged back above \$1,800 per ounce, hitting a five-month high versus the US dollar. Looking at industrial metals, copper price saw their best monthly gains since early 2021 in November boosted by easing Covid restrictions in China.

**Fixed Income** – Bonds rallied strongly, with the Bloomberg Global Aggregate index returning 1.45% for the week as at Thursday’s close. Sovereign bond yields dropped across the board in the UK, US, and Europe.

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## Chart of the Week

# Stocks Rally S&P 500 posts back to back monthly gains, rising 13%



Source: Bloomberg – The US S&P 500 posted strong gains over the last two months, returning 13%

## Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- European retail sales yy	- Australia cash rate decision	- European employment yy - Bank of Canada rate decision - Australia GDP for Q1 yy	- US jobless claims - Australia trade balance	- China CPI yy - US PPI inflation yy - US producer price yy

## Market Performance – 02/12/2022

Global Market Indices	2022 YTD %*
FTSE 100	4.26%
S&P 500	-13.68%
STOXX 600	-7.15%
Nikkei 225	-1.69%
Hang Seng	-16.80%
Fixed Income	Yield %
UK 10 Yr Gilt	3.09%
US 10 Yr Treasury	3.51%
Commodities	2022 YTD %
Gold	-1.47%
Currency	
GBP/USD	1.22 (02/12/2022)
GBP/EUR	1.16 (02/12/2022)

Source: FE Analytics/ Bloomberg.com

\*Total Return/Local currency

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