



» Weekly Investment Update

9th December 2022

News Headlines

2023 slowdown – The global economy is facing one of its worst years in three decades as a consequence of Russia's invasion of Ukraine and the energy shock that prevailed. Bloomberg Economics estimates that the global growth is set to grow by just 2.4% in 2023, the lowest figure seen since 1993, excluding the Great Financial Crisis of 08/09 and the pandemic recession in 2020. Looking at specific economies, the euro area looks set to start the year in recession, the US may see a contraction in the third quarter, but China may see growth increase due to a faster-than-expected exit from its current covid zero policy combined with stimulus measures and property support.

Edinburgh reforms – Chancellor of the Exchequer, Jeremy Hunt, set out a package of post-Brexit reforms dubbed the "Edinburgh reforms" which aim to make the financial services industry in the UK as competitive as possible by freeing up capital markets. The package includes plans to abolish "hundreds of pages of EU regulation" and overbearing rules which put companies off investing in the country, with the chancellor describing the measures as a "golden opportunity" for the UK.

US/Russia prisoner swap – In a diplomatic breakthrough and a win for the Biden administration, US basketball star Brittney Griner was freed in a prisoner swap with Russia. Griner, who was arrested in February at a Russian airport for carrying vaping cartridges containing hashish oil, was released in exchange for an imprisoned Russian arms dealer, Viktor Bout, who was serving a 25-year sentence in the US. The release has potentially opened channels for further agreements/discussions with Russia going forward.

Market Summary

Global Equities – Better-than-expected economic data out of the US saw global equities decline throughout the week. The strong data, which came on the back of a positive jobs report last week, knocked investor's expectations that the Federal Reserve would become more dovish in their monetary policy decisions going forward, as the central bank's terminal rate forecast rose back above 5% after falling last week. The US S&P 500 lost -2.64% for the week as at Thursday's close, dragging other major indices down with it. In contrast, a change in covid policy in China boosted investor sentiment in the region. The Hong Kong Hang Seng saw another week of healthy gains, returning 6.57% over the week.

Commodities – Commodity prices fell sharply, with the Bloomberg Commodity Spot index declined -4.43%. Jitters surrounding the weak global economic outlook saw oil prices plummet throughout the week, so much so that Brent Crude actually fell into negative territory year-to-date, a far cry from the highs seen in the summer. Brent Crude and WTI fell 11.70% and 12.00% respectively over the week as at Thursday's close.

Fixed Income – Bonds stayed relatively stable, with the Bloomberg Global Aggregate index gaining 0.30% for the week as at Thursday's close. In the US, 2-year (short dated) and 10-year (long dated) yields inverted the most in decades, further implying that there is a recession on the horizon in the US.

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Chart of the Week

Yields Fall Near 100bps From Peak

Recession fears grip Treasury market



Source: Bloomberg – 10-year US Treasury yields fall 100 basis points since the peak in October

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
-	- Germany CPI yy - US CPI yy	- UK CPI yy - US FOMC rate announcement	- UK BoE rate announcement - EU ECB rate announcement	- EU inflation yy

Market Performance – 09/12/2022

Global Market Indices	2022 YTD %*
FTSE 100	4.89%
S&P 500	-15.94%
STOXX 600	-7.93%
Nikkei 225	-4.23%
Hang Seng	-14.01%
Fixed Income	Yield %
UK 10 Yr Gilt	3.09%
US 10 Yr Treasury	3.49%
Commodities	2022 YTD %
Gold	-2.34%
Currency	
GBP/USD	1.23 (09/12/2022)
GBP/EUR	1.16 (09/12/2022)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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