

»» Weekly Investment Update

13th January 2023



News Headlines

World Bank forecast – The World Bank released their latest economic predictions for 2023 this week. Their global growth forecast now stands at 1.7% for the year, downgraded from their June 2022 prediction of 3%. Downgrades were not only projected in developed economies, as emerging markets and developing economies were also lowered, with growth now seen at 3.4% versus the June’s prediction of 4.2%.

US inflation – Year-on-year inflation in the US was exactly in line with economists estimates in December, coming in at 6.5%. Investors are now expecting the US Federal Reserve to slow down their interest rate rises going forward as a consequence, with the next rate rise looking like it may be 0.25%. Core inflation, however, which strips out food and energy prices, was up by 0.3% in December as the drop in year-on-year inflation was heavily influenced by the sharp drop in energy prices.

Economic activity – In a refreshing change, the UK’s economy unexpectedly expanded in November, spurred on by a stronger service sector linked to the football World Cup. Gross domestic Product (GDP) rose by 0.1% between October and November, coming in above economists’ forecasts of a -0.2% contraction, meaning the UK is likely to have avoided a 2022 recession. Good economic news also came out of Germany, as the country’s GDP rose slightly above forecasts by 1.9% in 2022, also meaning that Europe’s largest economy may just escape a recession over the winter despite the economic distress from higher energy prices.

Market Summary

Global Equities – Falling inflation in key economies, positive economic data, and a belief that central banks may not need to be as aggressive in their interest rate increases as once thought saw equities rally higher globally, with the MSCI World index posting a gain of 2.68% for the week as at Thursday’s close. Major indices gave some impressive performances as the new year optimism continued to spread through equity markets. Stocks in Europe hit their highest levels in 8 months, while the UK FTSE 100 is within range of the 7,903 point all-time high seen in May 2018. Equities in Asia and emerging markets also continued to climb higher after China relaxed its “zero covid” policy.

Commodities – Commodities gained traction, rallying throughout the week, with the Bloomberg Commodity Spot index returning 2.93% for the week as at Thursday’s close. Most notably, the key economic bellwether, copper, embarked on a new bull market, surging past \$9,000 per metric ton for the first time since June 2022 driven by Chinese demand and a weakening US dollar. Oil (Brent Crude & WTI) too made good ground, while gold surged back above \$1,900 per ounce for the first time since April.

Fixed Income – Global bonds nudged higher as yields declined, with the Bloomberg Global Aggregate Index returning 1.67% for the week as at Thursday’s close, led by investors pricing in smaller interest rate increases by key central banks.

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Chart of the Week

UK May Not be in Recession Economy grew unexpectedly in November on services



Source: Bloomberg – UK GDP rose in November, meaning the UK may avoid recession in 2022.

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	<ul style="list-style-type: none"> - China GDP yy - Germany CPI yy - UK Claimant count rate 	<ul style="list-style-type: none"> - UK CPI yy - European inflation yy - US PPI inflation yy 	<ul style="list-style-type: none"> - Australia employment & unemployment - Japan CPI 	<ul style="list-style-type: none"> - UK retail sales yy

Market Performance – 13/01/2023

Global Market Indices	2023 YTD %*
FTSE 100	4.63%
S&P 500	3.80%
STOXX 600	6.02%
Nikkei 225	1.36%
Hang Seng	8.76%
Fixed Income	Yield %
UK 10 Yr Gilt	3.33%
US 10 Yr Treasury	3.44%
Commodities	2023 YTD %
Gold	4.32%
Currency	
GBP/USD	1.22 (13/01/2023)
GBP/EUR	1.13 (13/01/2023)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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