

» Weekly Investment Update

20th January 2023



News Headlines

New Zealand PM quits – New Zealand’s Prime Minister, Jacinda Ardern, announced that she is stepping down from her role ahead of a general election in October, saying she expects her successor to be selected this Sunday. After leading her Labour Party to victory in 2017 and becoming the world’s youngest female leader, Ardern stated that she didn’t have “enough in the tank” to fight for a third term in office. The PM’s popularity has taken a hit recently in the polls as the country deals with numerous issues including a deteriorating economy, a cost-of-living crisis, and concerns about rising crime rates.

Global bond issuance – Gloomy economic data and signs that key central banks may become less aggressive in their interest rate increases has seen investors rush to safer assets, fuelling a wave of bond buying globally. Bond issuance across the board has topped half a trillion US dollars so far this year, seeing global bonds rally c.4% year-to-date.

China’s economy – Covid-19 lockdown restrictions continued to weaken economic activity in China throughout 2022, seeing the economy grow at the second slowest pace since the 1970s last year. Better-than-expected fourth quarter and December data, however, added to optimism that the country’s economy may be set for a recovery in 2023. Furthermore, data released earlier in the week showed that China’s population started to shrink in 2022 for the first time since 1961 and is expected to shrink by 45% by the end of the century, providing further challenges for the economy.

Market Summary

Global Equities – Investors became risk averse this week after a positive start to the year. Economic data out of the US magnified concerns of recession, raising the prospect that the US Federal Reserve would ease up on their aggressive monetary policy sooner than expected. Concerns of recession prompted a slight to safer assets, leading to a decline in equities, as the MSCI World index lost -1.83% for the week as at Thursday’s close.

Commodities – Commodities gained traction, as the Bloomberg Commodity index returning 0.32% over the week. Gold continued its rise against the US dollar headed for a fifth week of gains, both WTI and Brent Crude oil prices rose on hopes that central banks will slow interest rate rises, and copper prices continued their increase due to low inventories and rising demand from China.

Fixed Income – As mentioned previously, concerns of recession and a slowing of global growth in 2023 has seen investors demand returns from safer assets, and bonds have benefitted. Treasury yields in the US fell sharply, with the 10-year yield hitting its lowest levels since September last year. The Bloomberg Global Aggregate index gained 0.40% throughout the week as at Thursday’s close.

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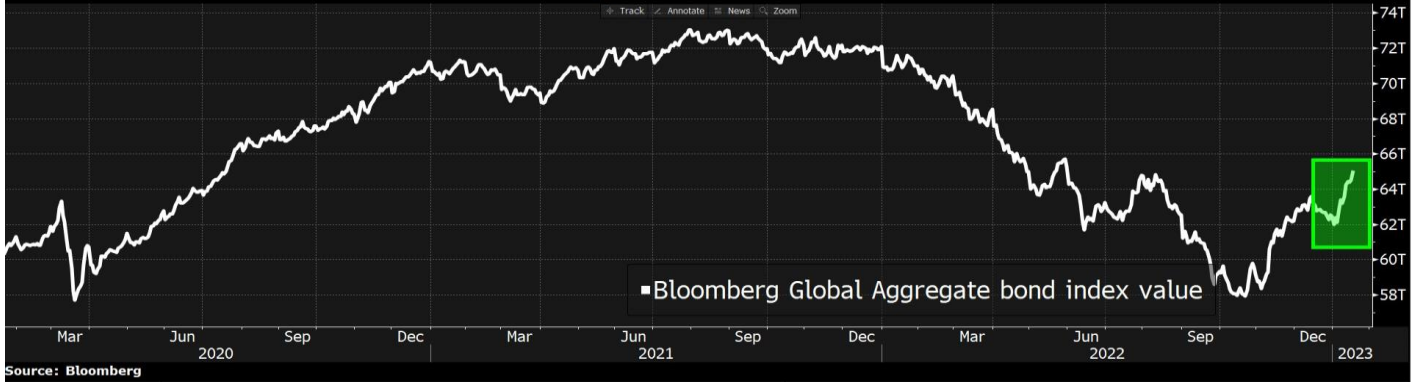
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Chart of the Week

Global Bonds See Best Start to January in Decades

Record issuance met with high demand



Source: Bloomberg – Investors flee to safer assets, as bond issuance breaches 1 trillion dollars in 2023

Key Economic Releases Next Week

| Monday | Tuesday | Wednesday | Thursday | Friday |
|--------|---------|--|----------|--------|
| | | <ul style="list-style-type: none"> - Bank of Canada rate decision - Australia CPI yy | | |

Market Performance – 20/01/2023

| Global Market Indices | 2023 YTD %* |
|-----------------------|-------------------|
| FTSE 100 | 2.19% |
| S&P 500 | 1.26% |
| STOXX 600 | 2.38% |
| Nikkei 225 | 2.68% |
| Hang Seng | 4.13% |
| Fixed Income | Yield % |
| UK 10 Yr Gilt | 3.28% |
| US 10 Yr Treasury | 3.40% |
| Commodities | 2023 YTD % |
| Gold | 4.48% |
| Currency | |
| GBP/USD | 1.23 (20/01/2023) |
| GBP/EUR | 1.14 (20/01/2023) |

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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