Weekly Investment Update

27th January 2023

News Headlines

Tech Company Layoffs – Spotify announced this week that it will be laying off approximately 6% of its 10,000-work force, quoting that efficiency needed to be improved. Spotify CEO, Daniel Ek, has taken responsibility claiming that he was “too ambitious investing ahead of revenue growth”. Spotify will be joining hundreds of other technology companies, including some of the sector’s biggest names such as Microsoft and Alphabet, who last week announced that they were cutting 10,000 and 12,000 jobs respectively. These job cuts come as technology companies are experiencing downturn on the back of two years of driven growth which saw aggressive hiring.

Blow to Putin – The US and Germany have finally agreed a deal to send battle tanks to Ukraine to aid in the war. The U-turn from German Chancellor Scholz came after international pressure and global calls for Germany to show leadership within Europe. The agreement grants necessary licenses that allow allies such as Poland and Spain, who have tanks in reserve, to supply Leopard 2 tanks to Ukraine. In response, Russia have warned Germany that sending tanks “does not bode well for future relationships” and the move is “extremely dangerous”. Ukraine have been pleading for modern tanks for months and hopes are that the recent agreement will prove critical in breaking Russian defensive lines and recapturing key territories.

Recessional Fears – Poor earnings within the technology sector combined with mass sector layoffs has fuelled fears of economic downturn in the sector and an upcoming recession. This has led to investors lowering their expectations on how much longer the US Federal Reserve will need to increase interest rates. Markets have responded by pricing in a 0.25% rate increase next week. Meanwhile, markets have priced in interest rate hikes of 50-bps from the Bank of England and European Central Bank. This has seen the US dollar fall to an 8-month low with the pound sterling and euro rising to 1.24 and 1.09 against the dollar respectively.

Market Summary

Global Equities – Global equities were in a buoyant mood this week after the declines last week as risk on sentiment gathered pace. Positive economic data out of the US, which included some key earnings reports, helped the positive mood, seeing equities see fresh highs for 2023. Annualised GDP in the US grew more than expected in 2022, while weekly jobless claims came down more than expected this week, giving hope to investors that there may be a “soft landing” for the economy after all. The MSCI world index finished up 1.93% for the week as at Thursday’s close.

Commodities – The beginning of the week saw WTI and Brent Crude oil both hit peaks of $81.62 and $88.19 respectively before following a downward trend. Despite a rally on the back of better than expected US economic data, both oil contracts were down -0.77% and -0.18% for the week as of Thursday’s close.

The US economy appears to be faring better than anticipated, which has seen Gold weaken from its strong start to the year, however, the precious metal is still up 0.14% over the week, reaching a peak of $1,942 per ounce.

Fixed Income – Positive global sentiment has seen investors price in slightly less aggressive central bank interest rate hikes, which pushed up sovereign bond yields noticeably. The Bloomberg Global Aggregate index rose slightly, gaining 0.08% for the week as at Thursday’s close.

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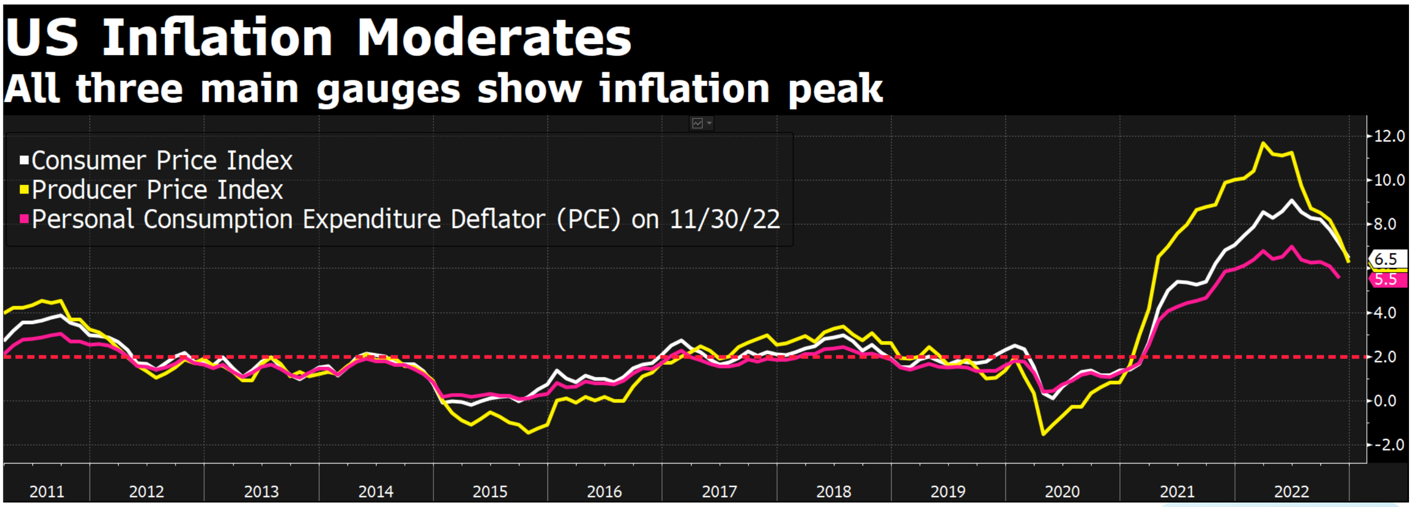
Chart of the Week



Source: Bloomberg – The main 3 gauges of inflation appear to show that peak inflation has been seen in the US

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- Japan unemployment rate	- Germany CPI yy - US consumer confidence	- Europe inflation yy	- Bank of England rate decision - European Central Bank rate decision	

Market Performance – 27/01/2023

Global Market Indices	**2023 YTD %***
FTSE 100	4.21%
S&P 500	5.85%
STOXX 600	6.94%
Nikkei 225	4.86%
Hang Seng	14.08%
Fixed Income	**Yield %**
UK 10 Yr Gilt	3.32%
US 10 Yr Treasury	3.50%
Commodities	**2023 YTD %**
Gold	6.01%
Currency	
GBP/USD	1.24 (27/01/2023)
GBP/EUR	1.14 (27/01/2023)

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