



» Weekly Investment Update

10th February 2023

News Headlines

UK avoids recession – The UK narrowly avoided recession in the last quarter of 2022. Data released this week showed that the economy contracted by 0.5% in December, which saw economic growth fall flat for Q4. The Chancellor of the Exchequer, Jeremy Hunt, said after the announcement that “The fact the UK was the fastest growing economy in the G7 last year, as well as avoiding a recession, shows our economy is more resilient than many feared.” The UK’s GDP (gross domestic product) is still almost 1% below the pre-pandemic peak, with the EU and US growing 2.5% and 5% respectively over the same period.

Powell comments – Chairman of the US Federal Reserve, Jerome Powell, gave a speech at the Economic Club of Washington on Tuesday. Powell repeated the rhetoric from the Federal Open Market Committee’s meeting from the week before, stating that further interest rate hikes were needed to rein in inflation and that interest rates would have to stay at high levels for some time. The labour markets in the US remain strong, which leaves room for the Federal Reserve to increase interest rates by more than 0.25% at the next meeting if labour strength continues or any upside surprise in inflation data.

Zelensky visits the UK – Ukrainian President, Volodymyr Zelensky, arrived in the UK on Wednesday in his first visit since Russia invaded Ukraine last February. Zelensky met both Prime Minister, Rishi Sunak, and King Charles before speaking to Members of Parliament to thank the people of the UK for their help and support in the ongoing war. After the visit, the Russian embassy in London described the visit as a “theatrical event” and warned the UK against providing Ukraine with fighter jets, saying this would have “military and political ramifications”.

Market Summary

Global Equities – Global equities dipped slightly, with the MSCI World index posting a loss of -1.05% for the week as at Thursday’s close. Investors turned their attention to central bank policy once again, as doubts grew about whether inflation would come down as much as expected in the coming months. The terminal rate of the Federal Reserve increased this week, back above 5% as labour remained strong in the US, souring investor sentiment. European equities outperformed peers, with the STOXX 600 reaching a 10-month high, and the German DAX hitting a 1-year high on the back of declining inflation and European natural gas futures falling to a 17-month low.

Commodities – Commodity prices made a slight gain in general after Oil prices (Brent Crude & WTI) surged on the back of near-term supply constraints and Russia’s announcement of a production cut, a response to western price caps. The Bloomberg Commodity index gained 0.78% for the week as at Thursday’s close.

Fixed Income – Hawkish comments from key central bank committee members saw bond yields rise across major economies this week, leading to losses in capital value due to the inverse relationship between yields and prices. The Bloomberg Global Aggregate index declined -0.99% for the week as at Thursday’s close.

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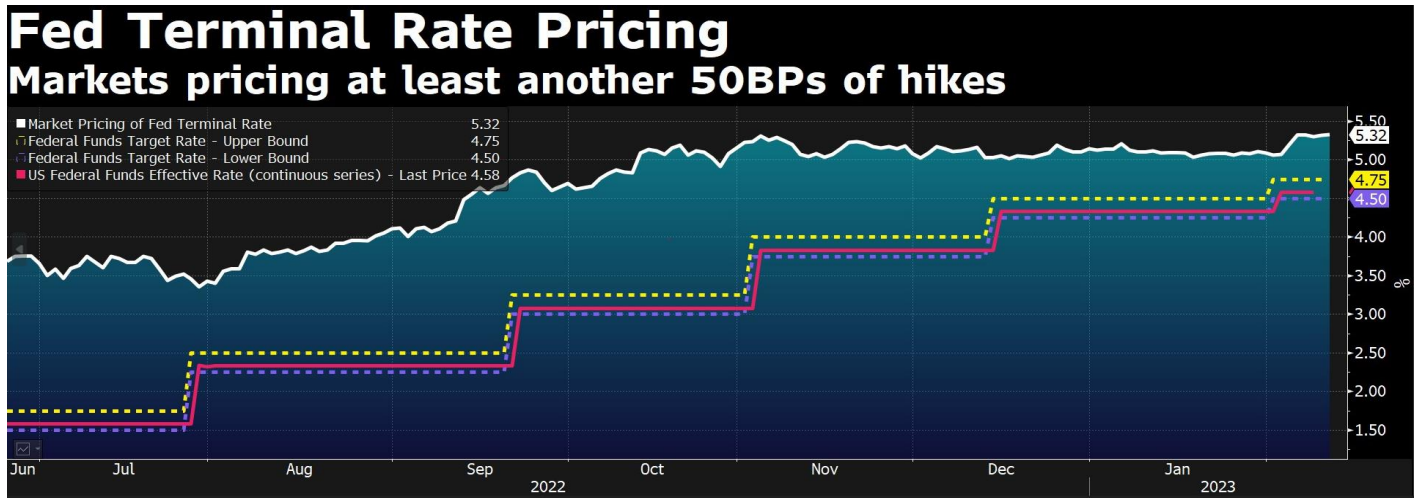


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Chart of the Week



Source: Bloomberg – Markets see the US Federal Reserve adding at least another 0.50% to its terminal interest rate in 2023

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US CPI yy - Euro GDP yy	- UK CPI yy	- US PPI - Australia unemployment/employment	- UK retail sales yy

Market Performance – 10/02/2023

Global Market Indices	2023 YTD %*
FTSE 100	6.22%
S&P 500	6.45%
STOXX 600	8.92%
Nikkei 225	5.72%
Hang Seng	9.32%
Fixed Income	Yield %
UK 10 Yr Gilt	3.33%
US 10 Yr Treasury	3.67%
Commodities	2023 YTD %
Gold	2.25%
Currency	
GBP/USD	1.21 (10/02/2023)
GBP/EUR	1.13 (10/02/2023)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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