



# »» Weekly Investment Update

17<sup>th</sup> February 2023

## News Headlines

**Sturgeon resigns** – The first minister of Scotland, Nicola Sturgeon, resigned from her post this week after 8 years as the Scottish National Party's leader. The resignation signalled the end of a leader seen by some as the most important figure of the devolution era, with no clear successor. Sturgeon insisted that her resignation was not in response to the latest pressures, which included controversies over gender reforms, transgender prisoners, and the strategy on independence.

**Central banks** – US Federal Reserve officials stressed once again the need for further interest rate increases in an effort to combat inflation. New economic data out of the US showed signs of persistent price pressures and a strong labour market, as officials look to increase rates above 5% and possibly higher to cool the economy. There is a view now that officials may favour returning to bigger increases in future meetings, with a compelling economic case for a 0.5% hike at the next meeting. In Europe, European Central Bank President, Christine Lagarde, said the bank intends to raise interest rates by a further 0.50% at the next meeting in March, this would be the sixth rate increase since July 2022, leaving the rate at 3.5%.

**Brexit talks** – UK Prime Minister, Rishi Sunak, headed to Northern Ireland for urgent talks with the region's parties. Expectations are mounting that Britain and the European Union could agree a deal on the Northern Ireland Protocol. After visiting Northern Ireland, the Prime Minister will fly to Europe to take part in the Munich Security conference where the protocol is likely to feature in discussions, with a potential announcement made early next week.

## Market Summary

**Global Equities** – Equities finished the week mixed, with the MSCI World index returning 0.29% for the week as at Thursday's close. Hawkish messages from the US Federal Reserve somewhat dampened the year-to-date rally. There were some exceptions, however, as UK and European equities continued to gain. Europe's STOXX 600 hit its highest level in a year, underpinned by strong performance in economy-sensitive industrials. The UK FTSE 100 reached an all-time high on Thursday, closing above 8,000 points for the first time.

**Commodities** – The Bloomberg Commodity index fell by -1.13% for the week as at Thursday's close. Oil prices (Brent Crude & WTI) are set to close the week lower as concerns over rising US interest rates and a strong US dollar offset optimism of a recovery in Chinese demand.

European natural gas prices hit an 18-month low, a landmark moment in the energy crisis as mild weather and plentiful supplies helped bring the prices down. Europe seems to have weaned itself away from Russian supplies, stoking expectations that the EU and the UK may only experience a mild recession this year.

**Fixed Income** – Bonds lost ground this week as yields rose after investor's sentiment was dented, with the market now predicting a less smooth inflation decline. The Bloomberg Global Aggregate index declined by -0.92% for the week as at Thursday's close.

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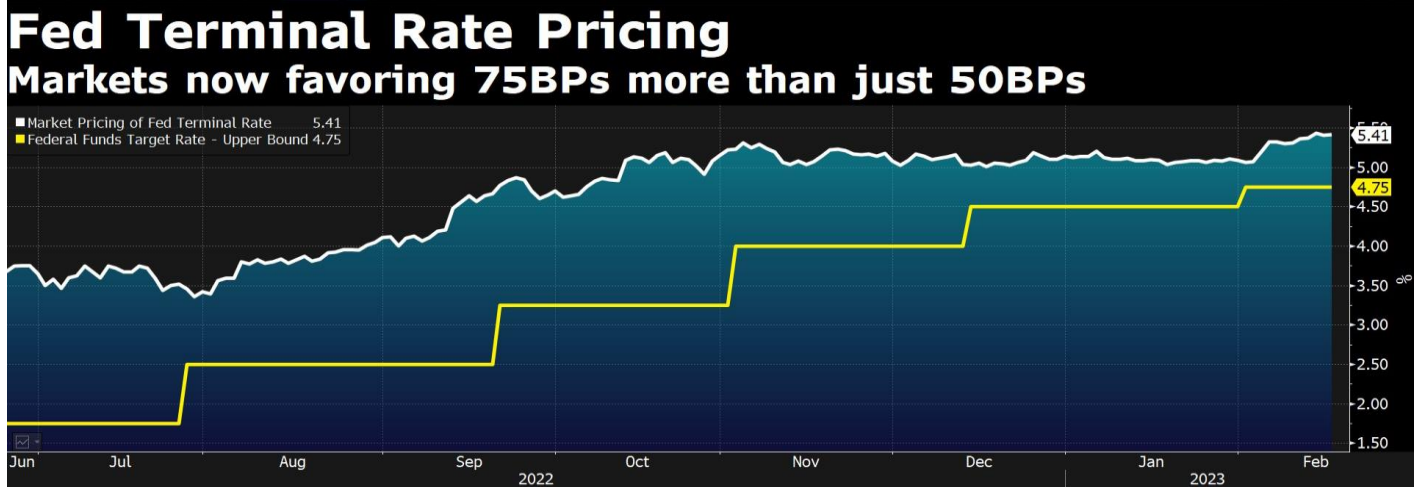


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## Chart of the Week



Source: Bloomberg – Markets now pricing that the Federal Reserve's terminal rate will end higher

## Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		- Germany CPI yy	- Euro inflation yy - Japan CPI	- Germany GDP yy

## Market Performance – 17/02/2023

Global Market Indices	2023 YTD %*
FTSE 100	7.75%
S&P 500	6.76%
STOXX 600	9.68%
Nikkei 225	6.15%
Hang Seng	6.10%
Fixed Income	Yield %
UK 10 Yr Gilt	3.57%
US 10 Yr Treasury	3.86%
Commodities	2023 YTD %
Gold	-0.16%
Currency	
GBP/USD	1.20 (17/02/2023)
GBP/EUR	1.12 (17/02/2023)

Source: FE Analytics/ Bloomberg.com

\*Total Return/Local currency

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