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Investment Management

Weekly Investment Update

24th February 2023

News Headlines

UK Economy – This week saw two pieces of positive news for the UK economy. Firstly, public finances came in better than expected in January, with borrowing running at £22 billion below forecasted levels. Secondly, British companies reported growth for the first time in seven months, improving the chances that the economy may actually avoid a recession this year. The good news will likely put pressure on the Chancellor of the Exchequer, Jeremy Hunt, to cut taxes and bow to increased pay demands from unions across the country. The Bank of England will also look to step up its fight against inflation after the latest data allows the bank a little more room to increase interest rates higher and for longer.

One Year of War – In the wake of the one-year anniversary of Russia's invasion of Ukraine, US President, Joe Biden, made an unexpected visit to Kyiv before giving a speech in Warsaw, all while China's top diplomat held talks in Moscow, demonstrating contrasting shows of support. In response to Biden, Russian President, Vladimir Putin, suspended the last remaining nuclear weapons treaty with the US and accused the US and its allies of causing the conflict. As well as shifting blame, Putin vowed to continue with the invasion of Ukraine until all of Russia's goals had been achieved, whilst Biden proclaimed that the 'Kremlin would never win its war against Ukraine'.

Eurozone Inflation – Consumer price inflation (CPI) in the Eurozone (excluding the bloc's biggest economy, Germany) eased to 8.6% in January, down from 9.2% only a month earlier. Despite CPI coming down, the data isn't great for the European Central Bank (ECB) as revisions show that core inflation (price growth that excludes fuel and food prices due to volatility) increased to 5.3% from 5.2%. There is now an argument that rate hikes from the ECB should not stop until core price developments show a clear turnaround. Markets are pricing in that the ECB will increase rates to a previous all-time high of 3.75% by September, a figure not seen since 2001.

Market Summary

Global Equities – Equities finished negative for the week, with the MSCI world index returning -1.50% as at Thursday's close. Markets moved to price in that the US Federal Reserve will need to be more aggressive with its monetary policy, as economic data released in the US suggested that inflation remains stickier than expected. Hawkish minutes from the US Federal Open Market Committee released on Wednesday led to the US S&P 500 losing further ground, marking four consecutive negative sessions (the longest run of declines in 2023 so far for the index). Renewed interest rate hike fears pulled the UK FTSE 100 down from the all-time highs seen last week, with a similar story seen across European and Asian equities.

Commodities – The Bloomberg Commodity Index declined slightly (0.06%) for the week as at Thursday's close. Both WTI and Crude oil prices declined despite China's boosted oil demand, while gold continued its downward trend, finishing down -0.95% for the week as of Thursday's close. The decline comes on the back of increased strength in the US dollar, as interest rates seem to set to rise by 0.50% in the Federal Reserve's next meeting.

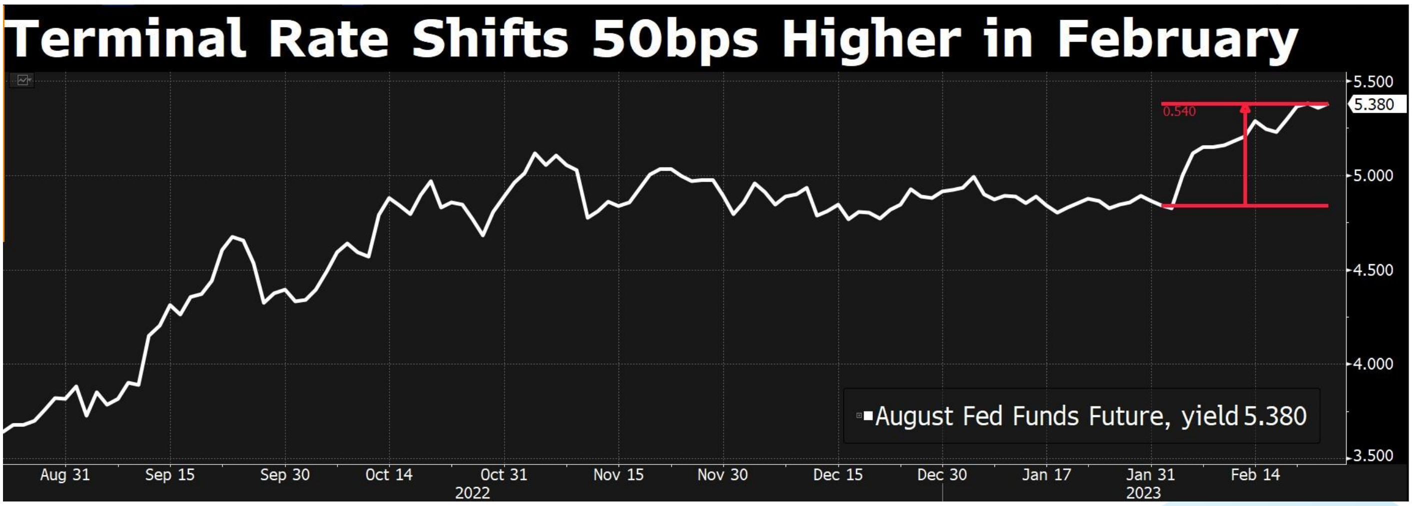
Fixed Income – Bonds reduced in value this week as yields rose. Data released highlighted that inflation is reducing less quickly than the market had anticipated and this saw the Bloomberg Global Aggregate index end the week down around -0.47% as of Thursday's close.

Address:
Frenkel House, 15 Carolina Way, Salford, Manchester, M50 2ZY

Enquiries:
0161 886 8000
enquiries@ascenciaim.co.uk

Web:
www.ascenciaim.co.uk

Chart of the Week



Source: Bloomberg – Markets are now pricing in that the terminal rate will be 50bps higher

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US consumer confidence	- Germany CPI yy - Australia GDP Q1	- European flash inflation yy - Japan unemployment rate	

Market Performance – 24/02/2023

Global Market Indices	2023 YTD %*
FTSE 100	6.65%
S&P 500	4.19%
STOXX 600	8.98%
Nikkei 225	3.88%
Hang Seng	3.25%
Fixed Income	**Yield %**
UK 10 Yr Gilt	3.56%
US 10 Yr Treasury	3.88%
Commodities	**2023 YTD %**
Gold	-0.18%
Currency	
GBP/USD	1.20 (24/02/2023)
GBP/EUR	1.13 (24/02/2023)

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

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