



» Weekly Investment Update

3rd March 2023

News Headlines

Brexit Deal – Britain finally struck a deal with the European Union over the Northern Ireland Protocol, which blocked any successful deal in the past. The new deal, named the Windsor Framework, outlined by Prime Minister Rishi Sunak and European Commission President Ursula von der Leyen will see reduced number of checks on goods travelling from Britain to Northern Ireland, freedom for the British government to set VAT and subsidies, and gives Northern Ireland's lawmakers a say over the EU rules it has to implement under the complicated terms of Britain's exit from the bloc.

European Inflation – European inflation came in hotter than anticipated in February. Headline inflation in the euro zone eased slightly, but core inflation rose once again. The current rate of inflation is something the European Central Bank (ECB) will have to consider carefully in the next policy meetings. An interest rate increase of 0.50% is already priced in at the next policy meeting, however, markets that were previously predicting an increase of 0.25% at May's meeting are now predicting another 0.50% increase, with a terminal rate of 4% by 2024.

UK Grocery Inflation – Grocery inflation in the UK hit 17.1% in the four weeks up to February 19th, which is another record high, dealing another blow to the British consumer still struggling through the cost-of-living crisis. The latest figures show the average household in the UK now faces an additional £811 on their annual shopping bills if they don't amend their shopping habits to cut costs.

Market Summary

Global Equities – Global equities made modest gains over the week, with the MSCI World index returning 0.53% as at Thursday's close. Equities in Asia performed strongly as the official China manufacturing index grew at the fastest pace in more than a decade, reigniting optimism for the reopening rally in China that has been lagging lately. In the UK, the FTSE 100 also gained on the back of China's recovery, boosted by mining stocks as metal prices rose. In the US, the S&P 500 slipped to its lowest level in nearly six weeks, while in Europe the STOXX 600 hit a three-week low, both indices came back from their lows, however, to finish positive for the week.

Commodities – Commodity prices rose throughout the week, with the Bloomberg Commodity index returning 1.32% as at Thursday's close. Oil prices are headed for a weekly gain after the rebound in Chinese factory activity offset growing concerns of rising US crude stockpiles and potentially higher interest rate rises in Europe. Gold prices are on track for their biggest weekly gain since mid-January, supported by a weaker US dollar.

Fixed Income – Several data releases out of the US which pointed to further inflationary pressures, as well as hawkish remarks from central bankers, saw the US 10-year Treasury yield climb back above 4% for the first time since November as investors dumped bonds. The Bloomberg Global Aggregate index declined by -0.39% for the week as at Thursday's close.

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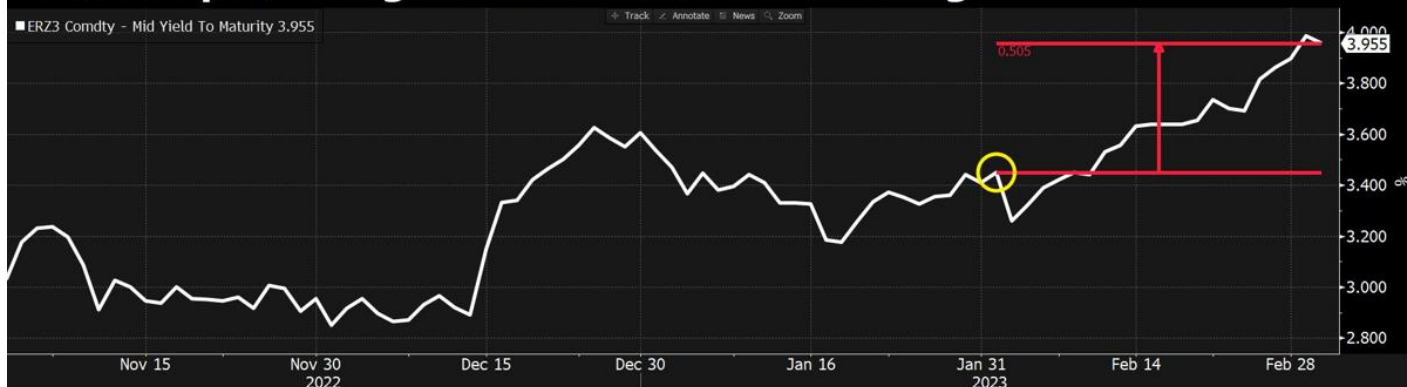


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Chart of the Week

ECB Terminal Rate Rises 60 basis points higher since last ECB meeting



Source: Bloomberg – Markets are now pricing in a higher terminal rate for the ECB, 0.6% higher since the last policy meeting

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- Europe retail sales yy		- Europe GDP revised qq - Bank of Canada rate decision	- China CPI yy	- Germany CPI final yy

Market Performance – 03/03/2023

Global Market Indices	2023 YTD %*
FTSE 100	7.34%
S&P 500	3.99%
STOXX 600	8.59%
Nikkei 225	5.45%
Hang Seng	3.57%
Fixed Income	Yield %
UK 10 Yr Gilt	3.87%
US 10 Yr Treasury	4.06%
Commodities	2023 YTD %
Gold	0.84%
Currency	
GBP/USD	1.19 (03/03/2023)
GBP/EUR	1.13 (03/03/2023)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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