

Weekly Investment Update

10th March 2023



News Headlines

Central Bank Direction – In the US, Chairman of the Federal Reserve, Jerome Powell, testified over two days, taking questions from members of Congress on the central bank's path to target inflation. Powell remained firm, stating that higher and faster interest rates could be coming, but the Federal Open Market Committee were still heavily reliant on economic data that hadn't yet been released. Powell also acknowledged that he had been wrong to view inflation as transitory, which would have allowed it to ease on its own without central bank intervention. Over in Europe, European Central Bank President, Christine Lagarde, was similarly strong in her rhetoric this week. Lagarde highlighted that the bank would do "whatever it takes" to restore price stability.

Xi Jinping – China's leader, Xi Jinping, has been awarded a third term as the nation's President. The National People's Congress voted 2,952 to 0 in favour of Xi, putting him in power for a further five years. This appointment comes after Xi named himself party general secretary in October, breaking tradition where Chinese leaders handed over their power after a decade. Xi now has near-total monopoly of power in Chinese politics, consolidating control over national level government and eliminating any opposition to his agenda of building China into a political, military, and economic competitor to the US.

UK GDP Growth – Economic growth in the UK unexpectedly grew in January, growing 0.3% month-on-month and beating forecasts of 0.1%. The latest reading further calms recession fears, at least in the short-term. The unexpected growth came as children returned to school after the winter break, providing a one-off surge in the education sector to boost output. There are still issues with the UK's economy, however, as both manufacturing and construction sectors contracted.

Market Summary

Global Equities – Global equities declined as the MSCI World Index fell -2.35% for the week as at Thursday's close. Investor jitters remain around whether key central banks will be forced to raise interest rates aggressively on the back of key economic data which is still to be released. A global sell-off in equities came towards the end of the week after investors heard of difficulties at Silicon Valley Bank, a technology focused lender, as fears spread over health of bank's bond portfolios. One standout region this week was Japan, as the Nikkei 225 index rose to a six-month high. The move into Japanese stocks is down to the Bank of Japan's stance on monetary policy, with the bank widely expected to maintain interest rates at ultra-low levels as well as continuing its open market asset purchases.

Commodities – Commodity prices lost ground once again, as the Bloomberg Commodity index lost a further -3.80% for the week as at Thursday's close. Oil prices (Brent Crude & WTI) declined on the back of hawkish central bank comments which darkened the global oil demand outlook. Rising interest rates continue to weigh heavy on metals as the opportunity cost of holding non-yielding assets mounts. Gold prices posted their worst daily drop in a month on Tuesday, while silver prices are on track for a c.5% weekly loss.

Fixed Income – The increased risk of higher interest rates for a longer period saw a big move in bonds. Over in the US, the 2-year (short dated) treasury yield saw a post 2007 high of 5.07%, meaning a further inversion of the yield curve, as the inversion between the 2-year and 10-year (longer dated) yields fell to the levels not seen since 1981, further indicating a recession is on the horizon in the US.

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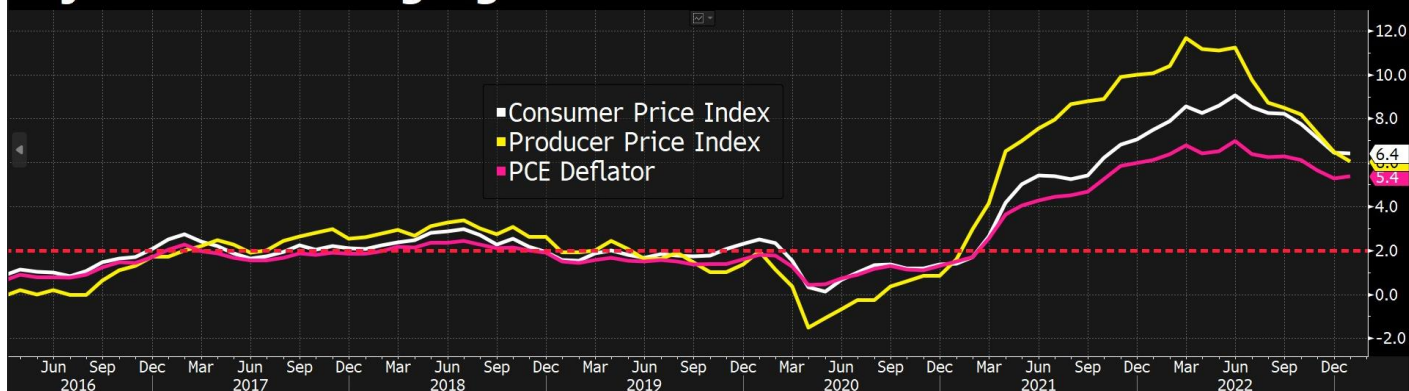


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Chart of the Week

Prices Not Falling Fast Enough Major US inflation gauges show stubborn inflation



Source: Bloomberg – Stubborn inflation in the US forces central banks to consider further interest rate increases

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US CPI yy	- US PPI inflation yy	- ECB rate announcement - Australia unemployment/employment	- Europe inflation yy

Market Performance – 10/03/2023

Global Market Indices	2023 YTD %*
FTSE 100	6.59%
S&P 500	2.39%
STOXX 600	8.70%
Nikkei 225	9.76%
Hang Seng	1.08%
Fixed Income	Yield %
UK 10 Yr Gilt	3.75%
US 10 Yr Treasury	3.90%
Commodities	2023 YTD %
Gold	0.40%
Currency	
GBP/USD	1.19 (10/03/2023)
GBP/EUR	1.13 (10/03/2023)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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