



Weekly Investment Update

21st April 2023

News Headlines

Inflation Data – Inflation data released this week showed UK inflation fell to 10.1%, higher than market expectations. The catalyst for the poor reading was food inflation increasing to 19.2%, up from 18.2% the previous month. This ‘sticky’ inflation puts pressure on the Bank of England, making it all but certain that they will have to hike interest rates by 0.25% at their next meeting in May. Markets are now pricing in a terminal rate of 5%, the highest projection seen since the disastrous mini-budget back in September 2022.

Eurozone inflation data released this week highlighted that inflation across the Eurozone had eased from 8.5% to 6.9%. Such a significant reduction in inflation is directly related to the rapid fall in natural gas prices. However, the European Central Bank remains concerned, because when food and fuel prices are excluded, prices have accelerated from 7.4% to 7.5%. In response, markets have accepted that interest rates will keep rising, pricing in a 0.25% increase at their next meeting on 4th May.

US Debt Ceiling – Speaker of the House, Kevin McCarthy, released a bill that temporarily resolves the debt-ceiling crisis (the Government’s ability to pay its financial obligations) by pushing the deadline into next year. However, the White House must reverse plans to forgive student loans and cut funding significantly – all programmes that the White House strongly support. As a result, it is very unlikely that the bill will be passed. As the deadline approaches, the risk that the US Government defaults for the very first time in its history rises, leaving investors increasingly wary.

Market Summary

Global Equities – Equities globally remained flat, with the MSCI World Index down -c.0.10% as of Thursday’s close. US jobless claims data released this week made investors more confident that another interest rate hike will be delivered at the Federal Reserve’s next meeting in May. This resulted in the US dollar strengthening and the S&P 500 Index closing down -c.0.18% as of Thursday’s close. Weak inflation data out of the UK saw the end of the FTSE 100’s best run of eight consecutive daily gains.

Commodities – A strengthening dollar and prospects of slowing growth saw commodities down as a whole for the week, with the Bloomberg Commodity Index coming in at -c.1.33% as at Thursday’s close. In particular, expectations of rate hikes remaining higher for longer saw oil prices hit 3-week lows.

Gold prices fell from near all-time highs, hovering at around \$2,000 per ounce.

Fixed Income – Sovereign bond prices fell in the US after investors raised expectations that the US Federal Reserve could keep interest rates higher for longer. As a result, the 2-year yield hit a 4-week high. Across the UK and Europe, higher than expected inflation data made interest rate hikes all but certain, this pushed bond prices down and yields higher.

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Chart of the Week

UK Inflation Stands Above Remains far above EU and US headline CPI



Source: Bloomberg – UK inflation is much higher than it is in the EU and US

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US consumer confidence	- Australia CPI yy		- Germany CPI yy - Japan unemployment rate

Market Performance – 21/04/2023

Global Market Indices	2023 YTD %*
FTSE 100	7.43%
S&P 500	8.10%
STOXX 600	11.15%
Nikkei 225	10.84%
Hang Seng	3.54%
Fixed Income	Yield %
UK 10 Yr Gilt	3.74%
US 10 Yr Treasury	3.53%
Commodities	2023 YTD %
Gold	9.48%
Currency	
GBP/USD	1.24 (21/04/2023)
GBP/EUR	1.13 (21/04/2023)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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