

» Weekly Investment Update

12th May 2023



News Headlines

US Inflation – US consumer prices and core prices (excluding the prices of food and energy) came in at 4.9% and 5.6% respectively for the year, down from 5% and 5.6% the month before. Inflation in the US now sits at a 2-year low, giving a strong indication that inflation is cooling off. It's now possible that the Federal Reserve may pause interest rates at its next meeting in June, however, hopes that there would be any near-term interest rate cuts have been dampened due to price pressures still remaining strong.

Bank of England Rate Decision – The Bank of England (BoE) announced that it would be raising its key interest rate by 0.25%, up to 4.50%. Governor of the Bank of England, Andrew Bailey, hinted that there would be more interest rate hikes to come, confirming that the central bank would “stay the course” as it attempts to combat the fastest moving inflation of any major economy. The BoE are expected to raise interest rates throughout the summer after surprising rises in food and wage prices has seen inflation decline slower than anticipated.

Debt Ceiling Negotiations – A meeting between US President, Joe Biden, and congressional leaders made very little progress on resolving the ongoing debt ceiling crisis. With no solution in sight, Biden claimed that he was “considering” utilising the 14th amendment to avoid the impending US default. Treasury Secretary, Janet Yellen, responded by claiming that such actions would be “legally questionable”. Despite the “posturing, politics and gamesmanship”, markets are widely expecting that a deal will be reached before the 1st of June deadline.

Market Summary

Global Equities – Equities lacked direction throughout the week, as the MSCI World index returned 0.03% for the week as at Thursday's close. Weaker economic data out of the US, concerns over the US debt ceiling, and renewed fears of an economic slowdown put a dampener on investor sentiment. The outperformers, however, were technology stocks, particularly mega cap, as they benefitted from the prospect of lower central bank interest rates on the back of declining inflation figures in the US.

Commodities – The Bloomberg Commodity index declined -1.78% over the week as at Thursday's close. Weak demand from China, where the economy is growing slower than expected, saw industrial metals such as copper and iron ore retreat sharply this week. After a mid-week rally, oil prices (Brent Crude & WTI) fell, on track for another weekly loss. This week's loss puts oil on track for a fourth consecutive weekly loss, the longest losing streak since November 2021.

Fixed Income – The Bloomberg Global Aggregate index finished flat for the week as at Thursday's close, returning 0.07%. The possibility of a central bank interest rate pivot in the US later in the year after inflation data came in lower, saw sovereign bonds rally and yields fall.

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Chart of the Week

UK Inflation is a Problem 4.5% BOE policy rate still way behind 10% CPI



Source: Bloomberg – UK inflation remains a problem, with the 4.5% BoE policy rate way behind 10% CPI

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- Europe GDP flash estimate yy - US retail sales mm	- Europe inflation yy		- Japan CPI

Market Performance – 12/05/2023

Global Market Indices	2023 YTD %*
FTSE 100	5.36%
S&P 500	8.20%
STOXX 600	11.20%
Nikkei 225	12.76%
Hang Seng	0.34%
Fixed Income	Yield %
UK 10 Yr Gilt	3.73%
US 10 Yr Treasury	3.38%
Commodities	2023 YTD %
Gold	10.36%
Currency	
GBP/USD	1.25 (12/05/2023)
GBP/EUR	1.15 (12/05/2023)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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