Weekly Investment Update

19th May 2023

News Headlines

US Debt Ceiling Negotiations – The US government remains in discussion over the ever increasing debt ceiling. Negotiations are now at a critical stage, with the US default date fast approaching. Speaking in the week, President Biden expressed confidence that negotiators would reach an agreement, this seemed to settle equity markets, however, the deadlock between parties is yet to be broken as negotiation teams from both sides conduct daily meetings to find a resolution. If the deadlock cannot be broken, and the US becomes unable to pay its debts, it would mean that the government would no longer be able to pay the salaries of federal and military employees, and social security cheques that millions of people rely on would also be suspended. More worryingly, a failure to meet debt obligations by the world's largest economy would likely trigger global financial chaos.

Chinese Growth – Consumer spending and industrial activity in China grew at a slower pace than expected in April. The slowing pace adds to signs that the rebound of the world's second largest economy is losing momentum after an end to the "zero covid" policy lifted last year. Industrial production rose 5.6% year-on-year, much lower than the 10.9% estimated by economists. Retail sales rose 18.4% year-on-year, lower than the 21% expected, but still remaining strong.

G-7 Russia Sanctions – The G-7 nations will begin to increase pressure on Russia, as they bring in additional sanctions on assets such as metals and diamonds, as well as restrictions on goods it uses to "rebuild its war machine". In a joint statement, nations also reaffirmed their commitment to keeping Russia's sovereign assets immobilised until the invasion of Ukraine is over, while promising to provide further financial and military support for Ukraine.

Market Summary

Global Equities – Optimism surrounding the US debt ceiling gave equity markets a boost as investors were reassured a resolution could be met. The MSCI World returned 1.17% for the week as at Thursday's close. In the US, both the S&P 500 and Nasdaq hit their highest levels since last August. Technology stocks once again powered the advance, with the Nasdaq Composite index surpassing an incline of more than 20% year-to-date. Japanese stocks extended their impressive recent rally, as the Nikkei 225 index touches highs not seen since 1990 thanks to loose monetary policy and positive corporate governance reforms which are boosting valuations.

Commodities – Commodity prices in general remained relatively flat over the week, as the Bloomberg Commodity index declined -0.22% for the week as at Thursday's close. Oil prices headed for their first weekly gain in a month on the back of the US debt ceiling optimism outweighed concerns of a global economic slowdown. Gold declined back below the $2,000 per ounce mark, on track for its worst weekly loss since February, hovering around $1,970.

Fixed Income – Global bonds declined as yields rose, with the Bloomberg Global Aggregate index falling -1.48% for the week as at Thursday's close. Hawkish comments from US Federal Reserve officials led investors to believe that another interest rate increase may come in June, sending US Treasury yields higher.

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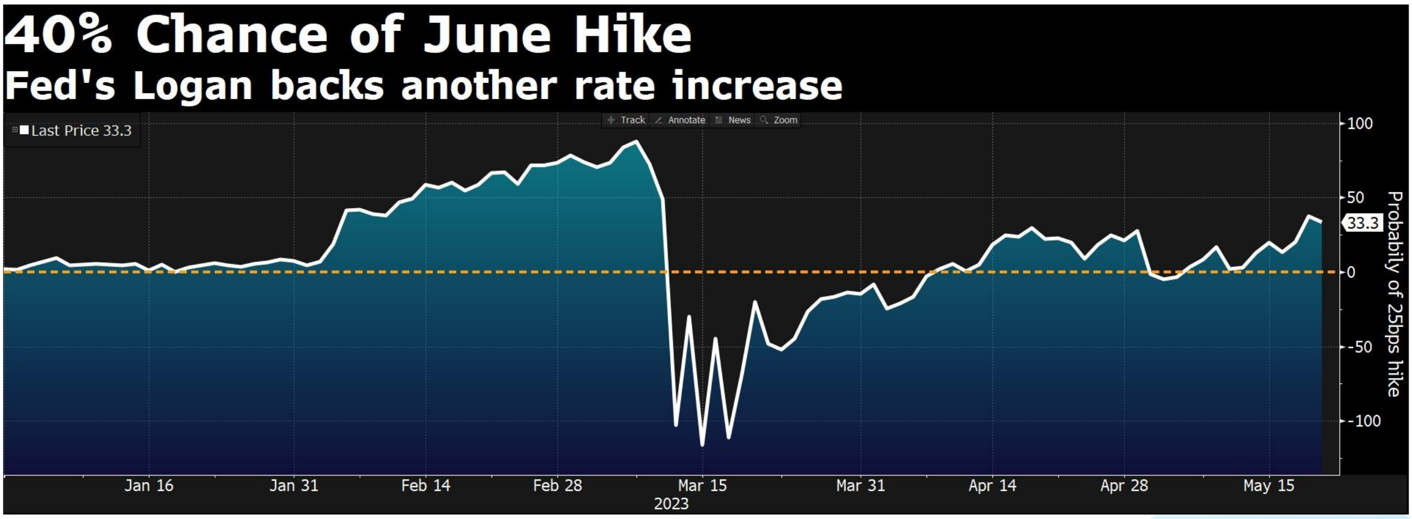
Chart of the Week



Source: Bloomberg – The markets are now pricing in a 40% chance of a June rate hike

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		- UK CPI yy	- Germany GDP yy	- UK retail sales yy

Market Performance – 19/05/2023

Global Market Indices	**2023 YTD %***
FTSE 100	5.70%
S&P 500	10.05%
STOXX 600	11.94%
Nikkei 225	18.39%
Hang Seng	0.31%
Fixed Income	**Yield %**
UK 10 Yr Gilt	3.97%
US 10 Yr Treasury	3.65%
Commodities	**2023 YTD %**
Gold	7.17%
Currency	
GBP/USD	1.24 (19/05/2023)
GBP/EUR	1.15 (19/05/2023)

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