



Weekly Investment Update

2nd June 2023

News Headlines

US Debt Ceiling Agreement – After a standoff that threatened the health of the global financial system, the US Senate have finally announced legislation which suspends the US debt ceiling, putting restraints on government spending until the next presidential election in 2024. The vote that passed the legislation came in 63-36 in favour, with members of both parties expressing their concerns over parts of the deal, but acknowledgement that if they didn't vote in favour, the risk of US default would be catastrophic.

China's Weak Recovery – China's economic recovery out of covid lockdowns last year began to weaken in May as manufacturing activity slowed. Official purchasing managers' index (PMI) fell more than expected to 48.8, the lowest reading since December 2022. A reading lower than 50 shows contraction. The figure in services and construction also fell below estimates, coming in at 54.5, but staying in expansion territory.

UK Business Confidence – Business confidence in the UK fell in May as inflation figures weighed on firm's sentiment around the economy. The survey, conducted by Lloyds Banking Group, suggested further upward pressure on prices going forward, adding to the risks of further, more aggressive interest rate increases from the Bank of England.

Market Summary

Global Equities – Global equities finished the week flat, with the MSCI World index returning just 0.25% for the week as at Thursday's close. In the US, the S&P 500 and Nasdaq 100 gained 0.41% and 1.02% respectively as technology stocks continued their solid rally. The S&P 500 closed at a nine-month high, boosted by the agreement over the US debt ceiling, hints that the Federal Reserve may pause interest rate hikes, and signs inflation is falling.

Commodities – Commodity prices declined further, with the Bloomberg Commodity index falling -0.89% for the week as at Thursday's close. Oil prices slumped midweek, but made some gains back on Friday after the US debt ceiling announcement. Gold bounced back from recent losses, gaining 1.76% for the week, hovering around the \$2,000 per ounce mark.

Fixed Income – Bonds rallied throughout the week, with the Bloomberg Global Aggregate index returning 1.41% as at Thursday's close. Hints that the US Federal Reserve would pause hikes in June, and are close to a place where they can hold rates, prompted a rally in US Treasuries. In Europe, a rally was spurred on by cooling inflation expectations.

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Chart of the Week

July Hike Seen as More Likely Markets see July Fed meeting in play



Source: Bloomberg – Markets predict an interest rate pause in the US in June, with a hike in July more likely

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- Eurozone retail sales yy	- Bank of Canada rate decision		- China CPI yy

Market Performance – 02/06/2023

Global Market Indices	2023 YTD %*
FTSE 100	2.39%
S&P 500	10.74%
STOXX 600	9.71%
Nikkei 225	20.62%
Hang Seng	-7.03%
Fixed Income	Yield %
UK 10 Yr Gilt	4.12%
US 10 Yr Treasury	3.60%
Commodities	2023 YTD %
Gold	8.35%
Currency	
GBP/USD	1.25 (02/06/2023)
GBP/EUR	1.16 (02/06/2023)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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