



# » Weekly Investment Update

9<sup>th</sup> June 2023

## News Headlines

**Bank of Canada** – The Bank of Canada shocked bond markets this week after deciding to raise its key interest rate further by 0.25%. The increase brings key interest rates in Canada to 4.75%, the highest since 2001. Canada's economy remained strong and inflation remains stubbornly high despite elevated interest rates which forced the hand of the central bank, though many expected it would wait until July to take action. Investors now have to navigate the possibility of more rate hikes from other key central banks which were thought to be at the peak of their tightening cycle.

**OECD inflation forecast** – The Organisation for economic Cooperation and Development (OECD) forecast that the global economic recovery will be blighted by persistent inflation and tighter monetary policy. The group see world growth falling below recent annual averages, predicted to be 2.7% and 2.9% in 2023 and 2024 respectively. The group's chief economist, Clare Lombardelli, urged central banks to "remain vigilant and weigh both sides of risk" when dealing with the inflation problem.

**China growth concern** – Further adding to risks for the world's second-largest economy, exports out of China fell for the first time in three months in May as global demand weakened. Exports to the US and Japan saw double digit declines, raising doubts about the fragility of the economic recovery in China.

## Market Summary

**Global Equities** – Global equities finished the week slightly positive, with the MSCI World index returning 0.33% for the week as at Thursday's close. In the US, the S&P 500 entered bull market territory on Thursday, gaining 20.04% from its October 2022 lows, driven by strong technology sector performance. In Japan, the Nikkei 225 index continues its impressive rally, set for a nine-week gain in the longest winning streak since 2017. The tech rally cooled somewhat this week after huge gains year-to-date, and equities in the UK and Europe remained flat.

**Commodities** – Commodity prices finally had some respite from a number of weekly losses, with the Bloomberg Commodity index gaining 1.66% for the week as at Thursday's close. Oil prices (Brent crude & WTI) headed for their second straight weekly fall due to demand concerns. Precious metals are set for a second weekly gain, with gold marking its best intraday gain in two weeks on Thursday. Industrial metals also gained as China began to roll out measures to support its economy.

**Fixed Income** – In a volatile week, bonds finished the week relatively flat as at Thursday's close. Yields rose midweek after the Bank of Canada's (BoC) surprise interest rate hike, however, investors grew more confident towards the end of the week that the US Federal Reserve would pause its rate hikes in June after 10 successive increases, bringing yields back down to their pre-BoC decision levels.

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## Chart of the Week

# Global Bond Pain as Yields Extend Higher

## Year-to-date change in two-year yields



Source: Bloomberg – 2 year government bond yields extend higher as central bank interest rate rises continue

## Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- Germany CPI yy - US CPI yy	- US PPI inflation yy - US FOMC rate decision	- ECB rate announcement	- EU inflation yy

## Market Performance – 02/06/2023

Global Market Indices	2023 YTD %*
FTSE 100	3.98%
S&P 500	12.68%
STOXX 600	11.09%
Nikkei 225	22.53%
Hang Seng	-1.22%
Fixed Income	Yield %
UK 10 Yr Gilt	4.23%
US 10 Yr Treasury	3.71%
Commodities	2023 YTD %
Gold	7.72%
Currency	
GBP/USD	1.25 (09/06/2023)
GBP/EUR	1.17 (09/06/2023)

Source: FE Analytics/ Bloomberg.com

\*Total Return/Local currency

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