

» Weekly Investment Update

16th June 2023



News Headlines

Central Bank Rate Decisions – The US Federal Reserve announced this week a pause in interest rate hikes to allow time for the impact of the previous hikes to be assessed. Chair of the Federal Reserve, Jerome Powell, emphasised that this pause is not a stop in rate hikes, hinting that two further increases might be necessary this year to cool inflation further. Market data revealed widespread anticipation of rates peaking at 5.6% by the year-end, surprising investors who are now preparing for two additional rate hikes within the next six months.

The European Central Bank (ECB) raised interest rates by 0.25% to 3.5%, marking an 8th consecutive increase. ECB President, Christine Lagarde, stated that inflation was not falling enough and that the central bank still had “ground to cover” in the fight against inflation. In her comments, Lagarde confirmed that another 0.25% rate hike was “very likely” and suggested that further rate hikes would be needed in the future.

US Inflation Data – The US Consumer Price Index (CPI) increased annually by 4%, with a 0.1% increase in May. This smaller-than-expected rise in CPI is a direct consequence of declining prices across the energy and services sectors. However, core CPI (CPI without volatile energy and food prices) increased annually by 5.3%, with a 0.4% increase in May, suggesting persistent price pressures. This mixed CPI data helps justify the market’s expectation that the Federal Reserve will raise rates two further times after the initial pause.

Market Summary

Global Equities – Better than expected inflation data out of the US and positive market sentiment pushed global equities to have a strong start to the week. Comments from the Federal Reserve did knock market confidence slightly. However, markets quickly recovered with global equities finishing the week positively, with the technology-heavy NASDAQ 100 index and S&P 500 index leading the way, finishing up 4.54% and 3% for the week, as of Thursday’s close.

Commodities – It was a volatile week for commodity markets. Higher than expected oil supplies and prospects of future rate hikes from the Federal Reserve caused oil prices to fall at the start of the week. However, positive market sentiment and news that China’s central bank would be cutting rates saw oil prices recover dramatically. As a result, WTI Crude and Brent Crude oil finished the week up c.0.64% and c.1.18% respectively, as of Thursday’s close.

Gold prices followed a similar narrative, as prospects of future rate hikes saw the price fall, however positive market sentiment led to a partial recovery, with the price finishing the week at \$1,961.40 per ounce.

Fixed Income – Volatility remained within the global income market as investors struggled to price in central bank rate decisions and inflation data. Bond yields finished the week relatively flat, with the Bloomberg Global Aggregate index finishing up c.0.33% for the week, as of Thursday’s close.

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Address:
Frenkel House, 15 Carolina Way, Salford, Manchester, M50 2ZY



Enquiries:
0161 886 8000
enquiries@ascenciaim.co.uk



Web:
www.ascenciaim.co.uk

Chart of the Week

Global Equities on a Tear Risen over 6% since the start of June



Source: Bloomberg – Global equities have risen over 6% since the beginning of June

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		- UK CPI yy	- UK Bank of England rate decision	- Japan CPI - US retail sales

Market Performance – 16/06/2023

Global Market Indices	2023 YTD %*
FTSE 100	4.38%
S&P 500	16.19%
STOXX 600	12.01%
Nikkei 225	29.67%
Hang Seng	1.75%
Fixed Income	Yield %
UK 10 Yr Gilt	4.42%
US 10 Yr Treasury	3.72%
Commodities	2023 YTD %
Gold	7.22%
Currency	
GBP/USD	1.28 (16/06/2023)
GBP/EUR	1.17 (16/06/2023)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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