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Investment Management

Weekly Investment Update

23rd June 2023

News Headlines

Bank of England decision – Inflation figures in the UK surprised economists for the fourth month in a row, coming in hotter than expected. CPI rose by 8.7% year-on-year in May, the same level seen in April, and much higher than the 8.4% anticipated. Core inflation, which strips out food and energy prices, remained sticky, hitting 7.1% year-on-year in May. Core inflation is of particular concern to the Bank of England in their battle to bring inflation back under control, as other countries have seen this figure fall in recent months. The Bank of England decided to raise its interest rate by 0.50% on Thursday, making this the 13th consecutive rate rise since December 2021. The steep rise, which takes the Bank's interest rate to 5%, sees rates at the highest levels since 2008 and sees mortgage rates rise above 6%, putting a squeeze on home owners' disposable income.

UK data - Alongside persistently high inflation and high interest rates, the UK has fallen six places down the global economic competitiveness as business leaders have lost confidence in the country, with "government incompetence" playing a role in the decline. Some positive news, however, came in the form of strong consumer confidence which improved more than expected in June, reaching its strongest level in 17 months.

US-China talks – The US Secretary of State, Antony Blinken, and China's President, Xi Jinping engaged in face to face discussions this week with an aim to ease tensions between the two superpowers. The meeting is the first in over five years, and both parties agreed that some progress had been made and both sides were open for further talks.

Market Summary

Global Equities – Global equities came under pressure this week as investors considered the future path of key central bank interest rates. Markets are now betting that interest rates will remain higher for longer in an aim to tame stubborn inflation, concerned that central banks are prepared to risk a recession to get core inflation lower. The change in sentiment saw the MSCI World index decline -1.19% over the week as at Thursday's close. Asian equities fared particularly badly, with the Hong Kong Hang Seng being the worst performer, while Japan's Nikkei 225 index fell -2.74% on the back of higher than expected inflation in May. Even the standout technology rally lost steam, as the US Nasdaq 100 declined -0.26% for the week at Thursday's close.

Commodities – Hawkish rhetoric from key central banks cast a shadow over future demand for commodities. Both Brent and WTI oil prices fell sharply, while gold prices took another hit, falling to levels close to $1,900 per ounce which haven't been seen since mid-March.

Fixed Income – Global bond markets continued to price in rising interest rates. The Bloomberg Global Aggregate index declined -0.32% for the week as yields rose.

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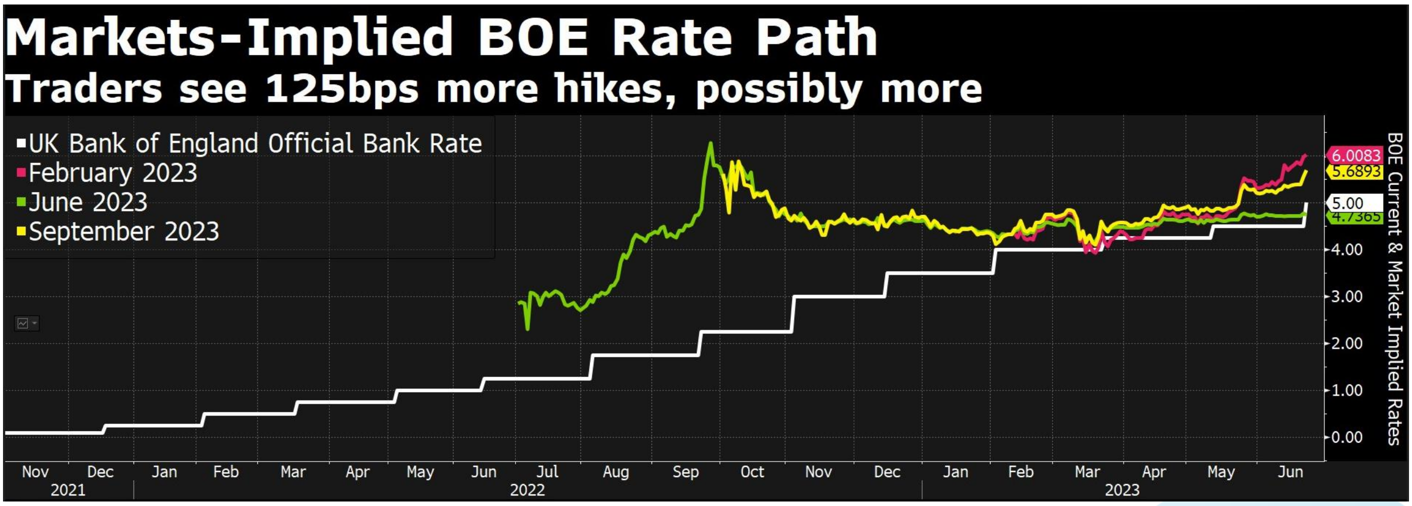
Chart of the Week



Source: Bloomberg – Markets see the Bank of England base rate going much higher

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US consumer confidence		- Germany CPI prelim yy	- Japan employment rate - China NBS manufacturing PMI - Germany unemployment rate

Market Performance – 23/06/2023

Global Market Indices	2023 YTD %*
FTSE 100	3.43%
S&P 500	14.63%
STOXX 600	10.28%
Nikkei 225	30.02%
Hang Seng	-1.25%
Fixed Income	**Yield %**
UK 10 Yr Gilt	4.37%
US 10 Yr Treasury	3.80%
Commodities	**2023 YTD %**
Gold	4.95%
Currency	
GBP/USD	1.27 (23/06/2023)
GBP/EUR	1.17 (23/06/2023)

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

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