

# » Weekly Investment Update

30<sup>th</sup> June 2023



## News Headlines

**US Data** – Economic data out of the US surprised to the upside this week. New home sales rose to the fastest annual rate in more than a year, durable goods orders topped estimates, and consumer confidence hit the highest levels since early 2022. This further supports recent narrative that a recession in the US may be avoided, or at least pushed further down the line as the economy continues to surprise economists, with Goldman Sachs research recently lowering its 12-month recession probability to 25%. As seen in the “chart of the week”, Bloomberg’s economic surprise index has surged to a two-year high.

**Central Banker Meeting** – Appearing together in Portugal, US Federal Reserve Chair Jerome Powell, European Central Bank President Christine Lagarde, and Bank of England Governor Andrew Bailey all gave their views on the global economy and inflation, which have so far proved remarkably resilient to the aggressive interest rate increases implemented over the last year. All three agreed that there was still some way to go in reining in the stubbornly high inflation. Powell said that the current policy may not be restrictive enough, Lagarde said the ECB would almost certainly raise its rate next month, while Bailey vowed to do whatever it takes to bring inflation down to 2%.

**Russian Mutiny** – The leader of the Russian Wagner mercenary group, Yevgeny Prigozhin, chose to end the march on Moscow abruptly after crisis talks between Prigozhin and Belarus President, Alexander Lukashenko, seemed to find a solution. The abandonment of the mutiny happened as mercenary forces were just 120 miles from the capital, and charges of rebellion were dropped against the Wagner leader who is now exiled in Belarus. Germany’s Chancellor, Olaf Scholz, said that Vladimir Putin’s grip on power has weakened after the mutiny, stating that “it shows that there are cracks in the autocratic structures, the power structures, and that he is by no means sitting as solidly and firmly in the saddle”.

## Market Summary

**Global Equities** – Global equities made a steady advance throughout the week, with the MSCI World gaining 1.11% for the week as at Thursday’s close. Japanese equities continued their advance, leading the way, with the Nikkei 225 index up 1.49% for the week. Strong economic data and positive outcomes of US bank stress testing saw the S&P 500 rise 1.12%. Equities in the UK were muted, as the FTSE 100 rose just 0.15% as high inflation and interest rates weigh on the index.

**Commodities** – Gold prices traded at three-month lows on Thursday. The yellow metal came under increased pressure as the US dollar and US Treasury yields rose on the back of hawkish messaging from the Federal Reserve Chair midweek. Oil prices (Brent Crude & WTI) finished up for the week after a few volatile sessions, however, the commodity is heading for a fourth consecutive quarter of losses in Q2 due to concerns over slowing global economic growth and lower fuel demand.

**Fixed Income** – Sovereign bond yields rose (meaning the capital value fell) on both sides of the Atlantic, and in the US, we saw yields hitting their highest levels since the collapse of SVB bank in March. Strong economic data and sticky inflation point to central banks holding their rates higher for longer, causing a sell-off in bonds.

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## Chart of the Week

### US Economy is Blowing Through Expectations Bloomberg ECO US Surprise Index surges to two-year high



Source: Bloomberg – The US economy continues to surprise markets

## Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- US PMI	- Australia cash rate decision		- Eurozone retail sales yy - US ADP employment report	- US unemployment rate

## Market Performance – 30/06/2023

Global Market Indices	2023 YTD %*
FTSE 100	2.29%
S&P 500	15.46%
STOXX 600	10.23%
Nikkei 225	28.83%
Hang Seng	-2.68%
Fixed Income	Yield %
UK 10 Yr Gilt	4.34%
US 10 Yr Treasury	3.84%
Commodities	2023 YTD %
Gold	4.17%
Currency	
GBP/USD	1.26 (30/06/2023)
GBP/EUR	1.16 (30/06/2023)

Source: FE Analytics/ Bloomberg.com

\*Total Return/Local currency

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