



» Weekly Investment Update

21st July 2023

News Headlines

UK inflation – In June, the UK's CPI (consumer price index) and Core CPI inflation rates fell below market consensus, to the lowest levels seen in more than a year. Headline inflation came in at 7.9% year-on-year in June, a sharp drop from the 8.7% reading seen in May. Declining inflation eases pressure on the Bank of England's Monetary Policy Committee (MPC) going forward, as headline and core inflation are projected to continue to fall, with core inflation expected to decrease to around 5.5% by the end of the year, influenced by factors such as lower energy bills, wage control, and slower insurance cost increases. The Bank's MPC is predicted to raise its interest rate by 0.25% in the next two meetings, maintaining the rate at 5.5% for the rest of the year, contrary to market expectations of a peak of 6.25%.

UK By-Elections – Leader of the Conservative Party, Rishi Sunak, faced a significant political setback after By-Elections took place in a number of areas across the country this week. The Conservative Party lost a key parliamentary election in the north of England to Labour, overturning a substantial majority, giving the Labour Party momentum before the widely expected national vote in 2024. The Conservatives also lost a key seat in the southwest to the Liberal Democrats, but managed to hang on to ex-leader Boris Johnson's old seat in Uxbridge and South Ruislip.

Market Summary

Global Equities – Global equities posted some modest gains, as the MSCI World index returned 0.40% for the week as at Thursday's close. In the US, the S&P 500 index reached 15-months highs for three consecutive days, while the FANG+ index, which includes mega-cap technology stocks, rallied to hit fresh all-time highs midweek before suffering a sharp sell-off on Thursday. UK equities performed best among peers after domestic inflation cooled to levels not seen in more than a year, provided a much needed boost to investor sentiment. In Asia, Chinese equities performed poorly after worse than expected economic data released this week confirmed that the post-covid economic recovery has run out of steam.

Commodities – Commodity prices rose throughout the week, with the Bloomberg Commodity Index returning 1.38%. Sentiment across commodity markets picked up on hopes that China's government would roll out stimulus measures to help boost its sluggish economy. Gold prices headed for a positive week, set for a third straight positive week, amid increased bets that the US Federal Reserve was close to end its interest rate hiking cycle. Supply-related news, in addition to China's potential stimulus measures, supported oil market sentiment, pushing prices higher.

Fixed Income – Bond performance remained relatively flat, with the Bloomberg Global Aggregate index declining slightly (-0.38%) over the week. The cooler than expected inflation figures in the UK led to a significant sell-off of UK gilt yields as investors bet that the Bank of England wouldn't have to raise interest rates as aggressively as once thought.

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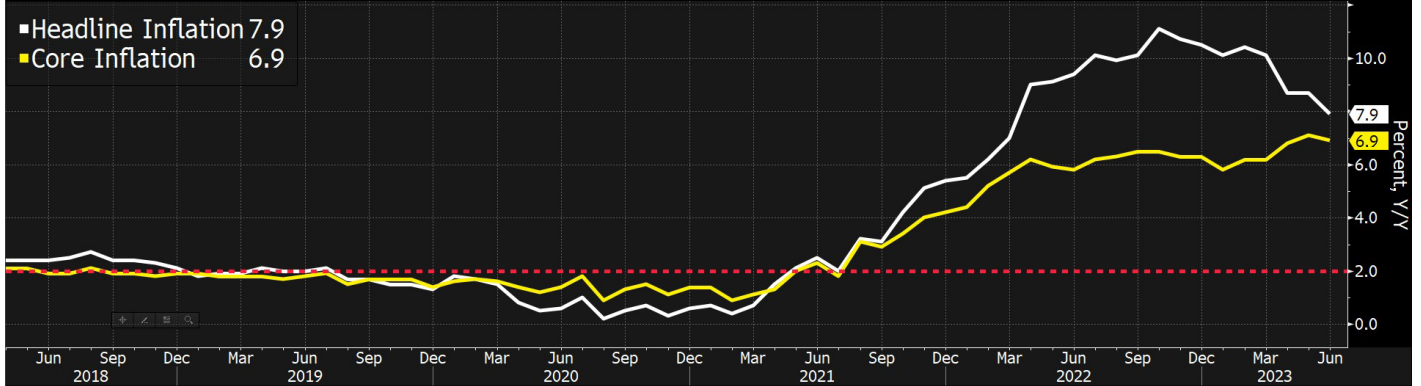
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Chart of the Week

UK Core Inflation Eases Both core and headline come lower than expected



Source: Bloomberg – UK inflation cools more than expected in June

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US consumer confidence	- US FOMC rate announcement	- ECB rate announcement	- Germany CPI yy

Market Performance – 21/07/2023

Global Market Indices	2023 YTD %*
FTSE 100	4.76%
S&P 500	19.19%
STOXX 600	12.09%
Nikkei 225	25.95%
Hang Seng	-1.79%
Fixed Income	Yield %
UK 10 Yr Gilt	4.28%
US 10 Yr Treasury	3.85%
Commodities	2023 YTD %
Gold	7.67%
Currency	
GBP/USD	1.29 (21/07/2023)
GBP/EUR	1.16 (21/07/2023)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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