



» Weekly Investment Update

11th August 2023

News Headlines

UK economy – The UK economy grew 0.2% in the second quarter, up from 0.1% in the first quarter. Consumers in the UK proved to be more resilient than expected amid rising interest rates and high inflation. The figures came in slightly stronger than expected by the Bank of England's (BoE) forecasts which predicted an expansion of 0.1%. The BoE no longer expects a recession in the UK, however, said the economy would remain in stagnation for the next two years.

US inflation – Headline inflation in the US rose slightly in July, but came in lower than expected. The consumer price index (CPI) rose 0.2% month-on-month in July, and the annual rate came in at 3.2% from June's 3%. Core inflation, which strips out food and energy prices, came in at 4.7% year-on-year, a slower pace than in June and the lowest level since October 2021. The recent encouraging data out of the US has supported the case for the Federal Reserve to hold interest rates steady at its next meeting in September.

China deflation – China's economy has fallen into deflation for the first time since early 2021. The consumer price index (CPI) fell 0.3% year-on-year in July after posting no change in June. Consumer prices have been on the brink of deflation for months as the rebound in consumer spending post-covid has failed to materialise upon lockdown restrictions being lifted. The latest figures are set to prompt more calls for government stimulus in an effort to avoid a self-reinforcing downward spiral in growth and private sector confidence.

Market Summary

Global Equities – Global equities remained fairly flat throughout the week as risk-off sentiment hit markets. The MSCI World index lost just -0.02% for the week as at Thursday's close. Equities were initially boosted by the inflation data out of the US towards the end of the week, but the rally faded quickly with indices losing most of the gains made after the data release. Asia ex-Japan equities declined, forced lower by China's slip into deflation and an announcement of a US ban on investments in China sensitive technologies. Despite stronger than expected economic growth in the UK, the FTSE 100 remained flat. European equities followed suit, staying flat after upbeat corporate earnings countered the sell-off in European banks earlier in the week following Italy's decision to hit banks with a windfall tax.

Commodities – In general, commodity prices dropped marginally throughout the week. Gold steadied at one-month lows, falling for a third straight week after the US dollar strengthened. Industrial metal, copper, suffered heavy losses amid increased sign of economic weakness in China. The recent rally in both Brent Crude and WTI oil over the last few weeks cooled somewhat, with prices remaining flat for the week.

Fixed Income – Global bonds lost ground as the Bloomberg Global Aggregate index slipped -0.24% for the week as at Thursday's close. In the US, the government auctioned a fresh round of Treasuries across the board, with shorter term bonds seeing decent demand from investors. Longer term bonds (30-year) however, saw less demand from investors.

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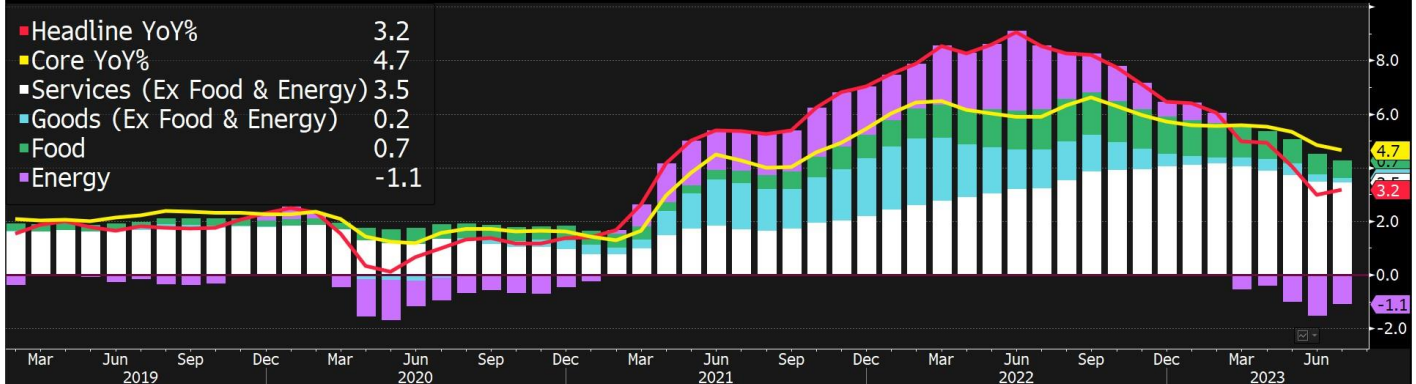
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Chart of the Week

US CPI Shows Good Progress But Fed's Daly says "more work to do" to reach inflation goal



Source: Bloomberg – US CPI shows good progress, but Federal Reserve policy makers warned that more must be done to tame inflation

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	<ul style="list-style-type: none"> - UK claimant count rate - US retail sales 	<ul style="list-style-type: none"> - UK CPI yy - Eurozone GDP flash estimate 		<ul style="list-style-type: none"> - Japan CPI - UK retail sales - Eurozone inflation yy

Market Performance – 11/08/2023

Global Market Indices	2023 YTD %*
FTSE 100	5.03%
S&P 500	17.53%
STOXX 600	12.38%
Nikkei 225	25.90%
Hang Seng	0.01%
Fixed Income	Yield %
UK 10 Yr Gilt	4.43%
US 10 Yr Treasury	4.10%
Commodities	2023 YTD %
Gold	4.60%
Currency	
GBP/USD	1.27 (11/08/2023)
GBP/EUR	1.15 (11/08/2023)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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