Weekly Investment Update

18th August 2023

News Headlines

UK inflation – Headline Consumer Price Index in the UK fell sharply, down to 6.8% year-on-year in July. Cuts to energy prices helped push inflation to its lowest level since February 2022. Core inflation, which removes volatile food and energy prices, remained unchanged from last month, coming in at 6.9%. Despite the slowdown in headline inflation, sticky core inflation keeps the pressure on the Bank of England, which is expected to raise interest rates next month and in future meetings, potentially dragging the UK into recession.

Federal Reserve minutes – Minutes from the US Federal Reserve's July meeting showed that some members of the Federal Open Market Committee would have backed pausing interest rates in the US last month, but ultimately supported another increase as members continued to see significant risks that price increases would persist, and could require further tightening of monetary policy.

China's economy – China's central bank unexpectedly reduced its key interest rate by the most since 2020 and took measures to restore confidence in the county's currency. The economy faces fresh risks from a deteriorating property market and weak consumer spending. After the rate cut, the country's stock exchanges asked some investment funds to avoid being net sellers of equities in an effort to engineer a bullish stock market as a way to help boost sentiment and revive the economy.

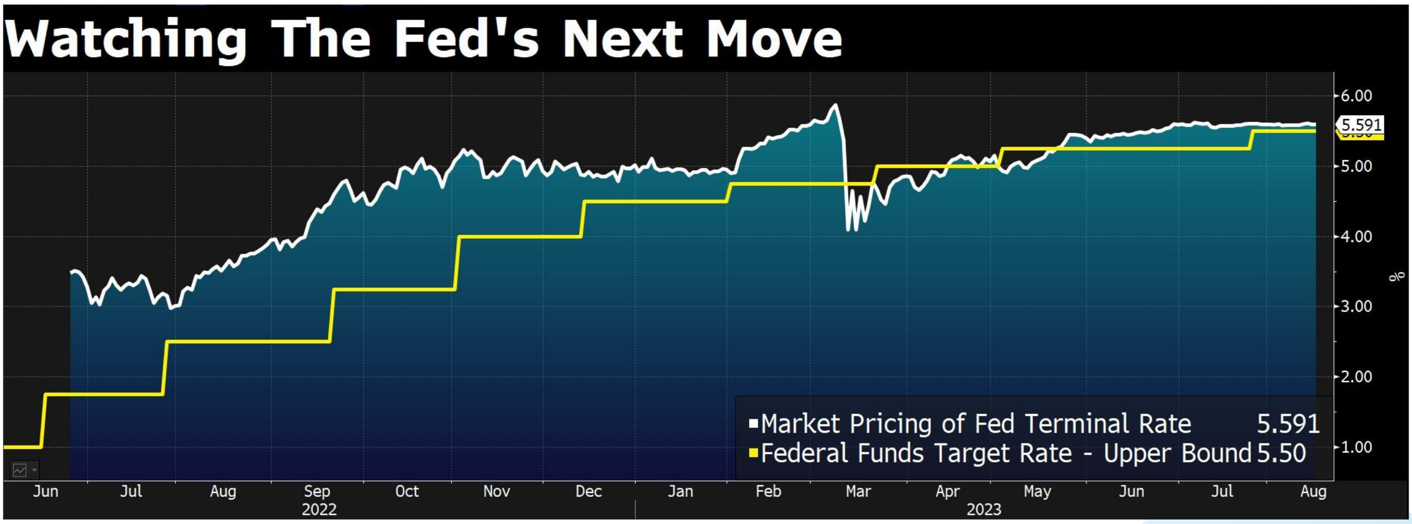
Market Summary

Global Equities – Global equities remained risk-off and continued their recent downtrend, with the MSCI World index posting a loss of -2.47% for the week as at Thursday's close. The spike in global bond yields, the economic slowdown in China, and some downbeat corporate earnings all put pressure on equities. In the US, the S&P 500 declined by -2.61%, while in Europe and the UK, the FTSE 100 and Stoxx 600 fell -2.53% and -1.86% respectively for the week at Thursday's close. In Asia, the Hong Kong Hang Seng index performed particularly poorly, headed for its worst weekly loss in two months.

Commodities – Oil prices (Brent Crude & WTI) were on track to break seven consecutive weeks of gains after fears of a Chinese economic slowdown and rising interest rates in the US muddied the outlook for demand. Precious metal, gold, tumbled to a five-month low on Thursday, owing to surging US Treasury yields and a strong US dollar.

Fixed Income – Yields on bonds across the globe hit the highest levels since 2008 after the minutes of the latest US Federal Reserve meeting showed that policymakers are still worried about persistent inflation, signalling the possibility of further interest rate hikes. The yield on the UK's 10-year gilt rose to a 15-year high, the US 10-year Treasury yield hit 2022 levels, while the German equivalent approached its highest level since 2011.

Chart of the Week



Source: Bloomberg – Investors continue to monitor the rate path of the US Federal Reserve closely

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		- US home sales	- US jobless claims	- Germany GDP yy

Market Performance – 18/08/2023

Global Market Indices	2023 YTD %*
FTSE 100	0.87%
S&P 500	15.02%
STOXX 600	9.27%
Nikkei 225	22.61%
Hang Seng	-4.76%
Fixed Income	**Yield %**
UK 10 Yr Gilt	4.73%
US 10 Yr Treasury	4.27%
Commodities	**2023 YTD %**
Gold	3.43%
Currency	
GBP/USD	1.27 (18/08/2023)
GBP/EUR	1.17 (18/08/2023)

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