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Investment Management

Weekly Investment Update

25th August 2023

News Headlines

BRICS expansion – The leaders of the BRICS emerging market bloc have launched the biggest expansion in its history, as Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates were all invited to join in an effort to act as a counterweight to the Western aligned G7. The "new chapter", which was declared at a BRICS summit in Johannesburg, would start next year, increasing the share of global gross domestic product (GDP) from 32% to 37% on a purchasing power parity basis. The declaration made commitments to strengthen co-operation between the members under pillars of political and security, economic and financial, and people to people cooperation, with the leaders also encouraging the use of local currencies to settle trades within the network.

China's equity market woes – Investors continue to offload shares in China's biggest companies at a record pace amid growing concerns about the world's second largest economy. Overseas funds have fled China's mainland equity market, selling the equivalent of c.$11 billion in a 13-day period to Wednesday. The sell-off comes as the country's property market slump and snowballing debt problems sparked fears of broader financial contagion. China's real estate stock index is close to falling back below the lows seen last October, wiping out all of the gains seen as part of the covid re-opening rally.

Jackson Hole – This week sees Jackson Hole host the latest annual economic symposium, where central bank leaders from major economies are set to discuss the "Structural Shifts in the Global Economy". Investment markets will be looking for key insights into the future path of central bank interest rates.

Market Summary

Global Equities – Nvidia's extraordinary artificial intelligence led rally of late, further spurred by impressive financial results this week, were not enough to spread positive sentiment through global equity markets, with the MSCI World index returning just 0.32% for the week as at Thursday's close. Better than expected economic data out of the US saw investors begin to price in more central bank interest rate increases, which saw equities lose gains made midweek. In the US, the S&P 500 saw its worst day in over 3 weeks, with technology stocks leading the move lower. In the UK, the FTSE 100 headed for its first weekly rise in four as the country's consumer confidence ticked up in August as inflation started to ease.

Commodities – Commodity prices made slight gains towards the end of the week, with the Bloomberg commodity index returning 0.62% for the week as at Thursday's close. Gold prices rallied as they continue to recover from a 5-month low hit earlier in August. Oil prices are set for the second week of losses, with markets pressured by further concerns over slowing Chinese demand.

Fixed Income – On the back of the prospect of another Federal Reserve interest rate hike in the US due to a persistently resilient economy, US Treasury yields hit fresh highs throughout the week. The 10-year Treasury yield hit 16-year highs, while the 3-month yield post 2001 highs.

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Chart of the Week

Source: Bloomberg – All eyes are on the US Federal Reserve's next interest rate decision, which could become clearer after Jackson Hole

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- Japan unemployment rate	- US ADP employment report - Germany preliminary CPI yy	- Eurozone inflation yy - Germany unemployment rate	- US unemployment rate

Market Performance – 25/08/2023

Global Market Indices	2023 YTD %*
FTSE 100	1.31%
S&P 500	15.19%
STOXX 600	9.41%
Nikkei 225	25.17%
Hang Seng	-5.34%
Fixed Income	**Yield %**
UK 10 Yr Gilt	4.45%
US 10 Yr Treasury	4.23%
Commodities	**2023 YTD %**
Gold	4.89%
Currency	
GBP/USD	1.26 (25/08/2023)
GBP/EUR	1.17 (25/08/2023)

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