

# » Weekly Investment Update

4<sup>th</sup> August 2023



## News Headlines

**US credit rating downgrade** – The US had its top-tier sovereign credit grade Fitch rating downgraded on Tuesday, with Fitch criticising the country’s ballooning fiscal deficits and an “erosion of governance” which have led to repeated debt ceiling clashes over the past two decades. The country’s credit rating came down one level, from AAA to AA+, with tax cuts, new spending initiatives, and multiple economic shocks to blame for enlarging budget deficits.

**Bank of England** – The Bank of England’s (BoE) Monetary Policy Committee announced an interest rate rise of 0.25% on Thursday, up to 5.25%. The rate now sits at the highest levels in more than 15 years and the 14<sup>th</sup> increase in a row. The bank said it was concerned that inflation was becoming imbedded in the economy, indicating that interest rates are to be kept “sufficiently restrictive for sufficiently long” until prices ease. In the UK, continued wage growth suggests that the peak in interest rates still hasn’t been reached, indicating further rate increases in the next meetings. The market is now pricing in a BoE terminal rate just below 5.75%.

**Donald Trump charged** – Former US President, Donald Trump, was indicted on federal charges. The charges against Trump included conspiracy to defraud the US, conspiracy to obstruct an official proceeding, obstruction of and attempt to obstruct an official proceeding, and conspiracy against the right to vote and have that vote counted. Trump has since pleaded not-guilty in a Washington DC court, telling reporters afterwards that this was a case of “persecution of a political opponent”.

## Market Summary

**Global Equities** – The rally in global equities took a breather, as the MSCI World index fell -2.20% over the week as at Thursday’s close. The downgrade of the US’s credit rating soured investor sentiment globally, as the US S&P 500 saw its biggest drawdown since April after the announcement. Other regions saw similar volatility. In the UK and Europe, both the UK FTSE 100 and Euro Stoxx 600 lost -2.00% and -2.69% respectively, while in Asia, Hong Kong’s Hang Seng and Japan’s Nikkei 225 indices declined by -2.49% and -1.83% respectively after both starting the week on a positive note.

**Commodities** – Oil prices (Brent Crude & WTI) are on track for a sixth week of gains after Saudi Arabia and Russia both pledged to cut output through September. Both contracts are set for their longest streak of weekly gains this year, with Brent and WTI rising c.15% and c.18% over the last six weeks.

After surging back above \$2,000 per ounce at the start of the week, gold prices cooled off, back down to the \$1,970 per ounce mark on Friday.

**Fixed Income** – Global bonds suffered, with the Bloomberg Global Aggregate index losing -1.50% for the week as at Thursday’s close. The mood in bond markets soured across the world. A surge in longer term US Treasury yields reached their highest levels since November, seeing the Treasury market erase all gains made in 2023. The pullback was also seen in Europe and Asia as investors became uncertain as to whether the US will fall into recession.

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## Chart of the Week

### BOE Terminal Rate Falls Central bank seen ending year below 5.75%



Source: Bloomberg – Markets are now expecting a terminal rate of 5.75% from the Bank of England

## Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- Germany CPI yy	- China CPI yy	- US CPI yy	- US PPI yy

## Market Performance – 04/08/2023

Global Market Indices	2023 YTD %*
FTSE 100	3.35%
S&P 500	18.36%
STOXX 600	10.73%
Nikkei 225	24.67%
Hang Seng	0.80%
Fixed Income	Yield %
UK 10 Yr Gilt	4.47%
US 10 Yr Treasury	4.18%
Commodities	2023 YTD %
Gold	5.81%
Currency	
GBP/USD	1.27 (04/08/2023)
GBP/EUR	1.16 (04/08/2023)

Source: FE Analytics/ Bloomberg.com

\*Total Return/Local currency

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