



Weekly Investment Update

1st September 2023

News Headlines

China's economy – China's manufacturing activity has contracted for the fifth consecutive month in August. The official manufacturing purchasing managers' index (PMI) rose to 49.7 in August, which keeps the measure in contraction (below 50), but an improvement on figures seen in July. The data comes as economists trimmed their growth, prices and trade expectations for China, saying the outlook is showing little signs of improving and predicting more policy easing. China stepped up efforts to stimulate the economy by announcing fresh stimulus for the stressed property sector, while the central bank will trim the amount of foreign currency reserves held to boost local currency.

UK inflation – The UK's food price inflation slowed to the lowest pace since September 2022, which has relieved some of the pressure on the Bank of England in its fight against persistently high inflation. The British Retail Consortium has said that shop price inflation fell sharply to 6.9% in August, from 7.6% in July. Food prices led the decline, as price rises in the fresh produce aisles fell from 14.3% to 11.6% year-on-year.

Interest rate caution – Speaking at an event in South Africa, the US Federal Reserve's Bank of Atlanta President, Raphael Bostic, warned that Federal Open Market Committee policymakers need to be cautious going forward to avoid overtightening monetary policy, potentially harming the US labour market. Bostic stated that the current monetary policy is sufficiently restrictive, and that the committee should be patient and let the current restrictive policy continue to take its course and influence the economy.

Market Summary

Global Equities – Global equities provided strong returns, with the MSCI World index posting a gain of 2.59% for the week as at Thursday's close. Both the prospect of fewer rate hikes and some weaker economic data out of the US spurred the risk-on rally. In the US, technology stocks once again led the gains. The S&P 500 advanced for a fourth consecutive session on Wednesday, while the Nasdaq index hit a four-week high. In Asia, markets were boosted by China's rollout of measures to support its housing market and currency, with Japan's Topix index hitting its highest levels in 33 years. Equity gains in the UK and Europe were relatively subdued, as the UK FTSE 100 headed for a monthly loss of c.2.50%.

Commodities – Oil price (Brent & WTI) rallied this week after two weeks of decline. A combination of shrinking supplies and anticipation that OPEC+ could cut output further fuelled the rise in prices. OPEC+ is meeting next week to discuss its next moves with analysts expecting production cuts to remain as the group seeks to sustain higher prices. Gold prices climbed back above the mid-\$1,900 level, touching \$1,975 per ounce as the US dollar and Treasury yields dipped on weak economic data. Industrial metal, copper, were boosted by positive economic data and stimulus measures out of China.

Fixed Income – US Treasury yields dipped after bigger than expected declines in jobs creation and consumer confidence lowered the odds of another Federal Reserve interest rate increase this year. Government bond yields in Europe also declined after chances of a European Central Bank interest rate increase in September came down to 40% from 55% after the release of the latest inflation data.

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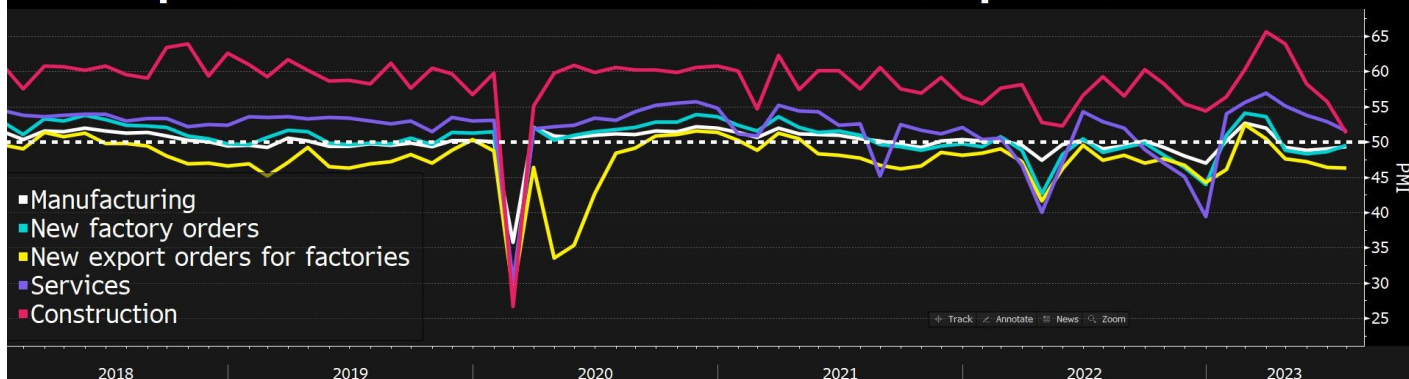


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Chart of the Week

China's Economy Weakens

New exports orders and construction on a steep downtrend



Source: Bloomberg – China's economy continues to weaken

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- Bank of Australia rate decision	- Bank of Canada rate decision - Australia GDP Q2	- EU GDP & Employment	- Germany CPI yy

Market Performance – 01/09/2023

Global Market Indices	2023 YTD %*
FTSE 100	2.78%
S&P 500	18.72%
STOXX 600	11.06%
Nikkei 225	26.54%
Hang Seng	-4.36%
Fixed Income	Yield %
UK 10 Yr Gilt	4.43%
US 10 Yr Treasury	4.11%
Commodities	2023 YTD %
Gold	6.00%
Currency	
GBP/USD	1.27 (01/09/2023)
GBP/EUR	1.17 (01/09/2023)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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