



Weekly Investment Update

13th October 2023

News Headlines

US Inflation – Inflation in the US came in higher than forecast in September, raising the possibility that the Federal Reserve may raise interest rates in the FOMC’s November meeting, following some robust data on the strength of the jobs market. Headline inflation rose 3.7% year-on-year, the same pace as the previous month, however economists had predicted a slight decline. Core inflation, which strips out food and energy prices, fell from 4.3% to 4.1% year-on-year from the previous month.

International Monetary Fund Prediction – The International Monetary Fund (IMF) has raised its global inflation forecast for 2024. It raised projections for the pace of consumer price inflation next year to 5.8%, up from 5.2% which was predicted three months ago. The IMF has suggested that central banks keep monetary policy tight until inflation pressures cool to sustainable levels, and anticipates that inflation will remain above central bank targets until 2025.

Chinese Stimulus – China’s sovereign wealth fund has increased its stake in the country’s biggest banks for the first time since 2015. The wealth fund bought \$65 million worth of shares in a number of major banks, supporting the speculation that authorities will increase efforts to prop up the reeling stock market. China is also considering a state-backed fund to ignite confidence in its equity market, with the China Securities Regulatory Commission recently submitting a plan to top authorities.

Market Summary

Global Equities – Equity markets enjoyed an almost week-long rally after last week’s jobs report out of the US suggested the economy remained resilient but was not too strong to warrant more monetary policy tightening to bring inflation back in line. Stronger than expected inflation data later in the week, however, soured positive sentiment, and highlighted that the Federal Reserve still has work to do to cool inflation. The MSCI World index returned 1.38% for the week as at Thursday’s close. Regionally, Asian equities fared best, with the Hong Kong Hang Seng index and Japan’s Nikkei 225 index returning 4.30% and 4.84% respectively for the week. Europe’s Stoxx 600 index and the UK FTSE 100 rallied c.2%, while the US’s S&P 500 gained 0.97%.

Commodities – Commodity prices rose on the back of heightened geopolitical tensions in the middle east. Oil prices climbed after fears that the Israel-Hamas war could involve the wider Gulf region and threaten global oil output. Gold rose throughout the week against the US dollar, returning 2.58% as at Thursday’s close.

Fixed Income – Developed market government bond yields declined, driven by dovish remarks from Federal Reserve committee members, stating that higher yields may mean there is less need to raise interest rates in the US any further due to financial conditions tightening “substantially in recent months”. The Bloomberg Global Aggregate index gained 0.62% for the week as at Thursday’s close.

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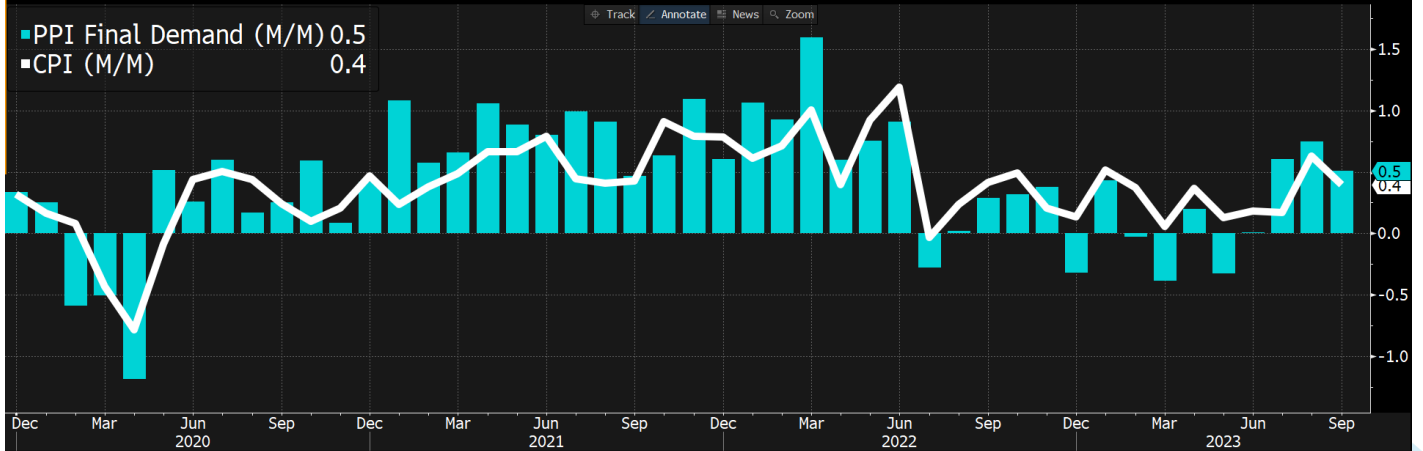
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Chart of the Week

US September CPI, PPI Both Above Estimates



Source: Bloomberg – CPI and PPI for the US were both above estimates in September

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- UK claimant count rate	- China GDP - UK CPI yy - Eurozone inflation yy	-	- Japan CPI

Market Performance – 13/10/2023

Global Market Indices	2023 YTD %*
FTSE 100	5.81%
S&P 500	14.75%
STOXX 600	10.10%
Nikkei 225	26.83%
Hang Seng	-4.58%
Fixed Income	Yield %
UK 10 Yr Gilt	4.42%
US 10 Yr Treasury	4.69%
Commodities	2023 YTD %
Gold	2.58%
Currency	
GBP/USD	1.22 (13/10/2023)
GBP/EUR	1.16 (13/10/2023)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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