



» Weekly Investment Update

20th October 2023

News Headlines

UK Consumer Confidence – A survey by GfK showed that consumer confidence in Britain declined sharply this month, dropping to a three-month low of -30, down from the reading of -21 seen in September. Economists had predicted a modest increase in confidence, however, households across the UK are starting to feel the effects of the cost-of-living crisis, owing to several headwinds including accelerating energy and fuel costs, soaring mortgage rates and a slowing jobs market. Willingness of households to commit to major purchases also fell sharply this month.

Labour Party Gains – In a huge blow to the prime minister ahead of an expected general election next year, the Labour Party seized two previously safe seats from the Conservatives. Labour overturned Conservative majorities of nearly 25,000 in Mid-Bedfordshire (a Conservative seat since 1931) and almost 20,000 in Tamworth. The result will further confirm that Rishi Sunak is failing to win over voters after a year in office. Labour leader, Kier Starmer, said “winning in these Tory strongholds shows that people overwhelmingly want change, and they are ready to put their faith in our changed Labour party to deliver it.”

Powell Speech – At an event at the Economic Club of New York, Chair of the US Federal Reserve, Jerome Powell, suggested that the US central bank is inclined to hold interest rates steady again at its next meeting on the 31st October. The comments affirmed market views that the bank would skip a rate increase for the second straight meeting, as a recent surge in longer-term US Treasury yields could lessen the need for further hikes if they persist.

Market Summary

Global Equities – Last week’s positive sentiment turned towards the end of the week in equity markets. Rising bond yields and an escalation in geopolitical tensions saw the MSCI World index fall -1.31% for the week as at Thursday’s close. Emerging market equities and MSCI’s Asia Pacific index both hit an 11-month low, dragged down by the sell-off in China. US and European money managers are continuing to divest from Chinese equities on a large scale, selling \$5.1 billion since the start of September. In Europe, poor corporate earnings saw the STOXX 600 index fall to a seven-month low, dropping -2.09% over the week, while the UK FTSE 100 and US S&P 500 lost -1.29% and -1.14% respectively.

Commodities – Increased geopolitical tensions in the middle east pushed commodity prices higher. Gold prices surged higher to a three-month high amid increased safe haven demands, rising for a second straight week, almost hitting \$2,000 per ounce. Oil prices also rose, with Brent Crude rising back above \$93 per barrel for the first time since September.

Fixed Income – Treasury yields in the US continued to rise across the board. The key 10-year Treasury yield broke above 5% briefly, a level which has not been seen since 2007. Longer dated Treasury yields saw a significant steepening, encouraged by Jerome Powell’s speech at the Economic Club of New York.

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Chart of the Week

UK Consumer Confidence Drops Biggest decline since start of Covid



Source: Bloomberg – UK consumer confidence has seen its biggest decline since the start of the COVID pandemic

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- UK claimant count rate	- Australia CPI yy - Bank of Canada rate decision	- European Central Bank rate announcement	

Market Performance – 20/10/2023

Global Market Indices	2023 YTD %*
FTSE 100	3.83%
S&P 500	12.87%
STOXX 600	6.74%
Nikkei 225	22.67%
Hang Seng	-9.51%
Fixed Income	Yield %
UK 10 Yr Gilt	4.65%
US 10 Yr Treasury	4.99%
Commodities	2023 YTD %
Gold	7.58%
Currency	
GBP/USD	1.21 (20/10/2023)
GBP/EUR	1.15 (20/10/2023)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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