



# »» Weekly Investment Update

27<sup>th</sup> October 2023

## News Headlines

**European Central Bank Decision** – As expected, the European Central Bank left its interest rate unchanged on Thursday. The pause ended a streak of ten consecutive rate increases, although the bank's president insisted that talks of any rate cuts was premature. Easing inflation, which has more than halved this year, and a slowing economy has made it increasingly unlikely that the ECB would raise rates any further.

**US GDP** – The US economy grew at an annualised rate of 4.9% in the third quarter, a remarkably strong pace despite interest rates remaining at their highest levels in 22 years. Growth came in much higher than the second quarter's pace of 2.1%, and faster than economist's predictions of 4.3%. Continued consumer spending fuelled growth in the third quarter, showing the resilience within the economy as spending grew at an annualised rate of 4% in Q3, the strongest pace since Q4 2021.

**US House Speaker** – In the US, after several weeks of attempting to find a replacement for the ousted Speaker, Kevin McCarthy, the House of Representatives voted in a far-right lawmaker from Louisiana, Mike Johnson, as the new Speaker of the House. Johnson, who played a leading role in trying to overturn the 2020 election result and is a loyal ally to Donal Trump, has now become one of the most powerful Republicans in America and second in line to the presidency.

## Market Summary

**Global Equities** – Equities declined globally throughout the week, dragged down by mixed corporate earnings out of the US. Underperformance of big tech stocks dragged US indices down, with the S&P 500 and Nasdaq falling to their lowest levels since May. The equal weighted S&P 500 index also fell further, down to its lowest levels in 12 months. Equities in the UK and Europe held up relatively well, with the FTSE 100 and STOXX 600 indices falling -0.64% and -0.11% respectively over the week as at Thursday's close. In Asia, Chinese equities were amongst the best performers, rebounding after a number of negative weeks due to a further government stimulus package announcement aimed at spurring local economic growth.

**Commodities** – The recent rally in commodity prices cooled this week, with oil prices falling sharply. Signs of potential de-escalation in the Israel-Hamas conflict saw investors easing back on expectations the conflict would draw other Middle Eastern countries in and disrupt global oil supplies. Gold remains around the \$2,000 per ounce mark, propped up by safe haven demand as geopolitical tensions remain high globally.

**Fixed Income** – Bond returns remained rather flat throughout the week, with the Bloomberg Global Aggregate index finishing 0.19% higher as at Thursday's close.

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## Chart of the Week

### Markets Price ECB at Terminal Rate



Source: Bloomberg – Markets have priced the ECB's terminal rate at 4% as the bank pauses rate hikes

## Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- Germany CPI yy	- Japan unemployment rate - Eurozone inflation yy	- US FOMC rate announcement - US PMI	- United Kingdom Bank of England rate decision	

## Market Performance – 27/10/2023

Global Market Indices	2023 YTD %*
FTSE 100	1.82%
S&P 500	9.17%
STOXX 600	5.17%
Nikkei 225	19.45%
Hang Seng	-10.82%
Fixed Income	Yield %
UK 10 Yr Gilt	4.57%
US 10 Yr Treasury	4.85%
Commodities	2023 YTD %
Gold	8.61%
Currency	
GBP/USD	1.21 (27/10/2023)
GBP/EUR	1.15 (27/10/2023)

Source: FE Analytics/ Bloomberg

\*Total Return/Local currency

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