

Weekly Investment Update

17th November 2023



News Headlines

Inflation Data – Annual Inflation in the UK fell from 6.7% in September, to 4.6% in the month of October, marking the biggest fall in inflation in over 30 years. This beat economist's estimates of 4.8%, easing pressure on both the Bank of England (BoE) and the UK Government. The increase in inflation marked the smallest in over 2 years, markets were quick to react, pricing in BoE interest rate cuts next year. Whilst inflation has more than halved since its peak of 11.1%, the BoE have warned that there is still more to do in the fight against inflation, predicting that inflation will only return to its 2% target in late 2025.

Inflation in the US dropped more than predicted, from 3.7% to 3.2%, amid lower fuel and slowing house prices. This has reinforced market expectations that the US Federal Reserve is unlikely to hike interest rates further. Additionally, data showed that job and wage growth slowed in October with investors believing that the US economy may avoid a recession.

China-US Relations – US President Joe Biden met with Chinese President Xi Jinping in San Francisco, ahead of an international economic conference. In their 4-hour meeting, both sides discussed key issues ranging from drug trafficking to military conflicts. This meeting comes as the two biggest economies seek to re-establish ties, as it becomes increasingly clear that the US and China will never be able to fully decouple. After the meeting, Xi engaged directly with major US executives as he seeks to find foreign investment to help boost China's slowing economy.

Market Summary

Global Equities – Data out of the US and UK all but confirmed that interest rates have peaked. This pushed the S&P 500 to its best day since April and US small caps had their best day in over a year. This ignited a major rally in global stock markets, with the MSCI World returning 2.56% for the week as at Thursday's close. In the UK and Europe, both equity indices (FTSE 100 & STOXX 600) posted milder gains of 0.88% and 1.86% respectively. In Asia, China's opening of communication channels with the US combined with strong economic data, helped push the Hong Kong Hang Seng up 3.67% over the week as at Thursday's close.

Commodities – Oil prices have entered a bear market, as signs of healthy supplies and rising stockpiles offset attempts by OPEC+ leaders to keep declines in check. Brent Crude is on a run of four straight weekly declines, with WTI oil trading near \$73 a barrel, falling more than 20% from its high in September.

Expectations of stimulus and the release of strong industrial production numbers from China helped pushed up the price of copper, along with other major metals. Inflation data out of the US triggered a depreciation in the US Dollar, which pushed gold prices higher.

Fixed Income – Softer than expected inflation data out of the US pushed US Treasury yields lower as markets priced in an end to interest rate hikes from the US Federal Reserve. This extended over to global bond yields, with the Bloomberg Global Aggregate finishing the week positive 1.73%, as of Thursday's close.

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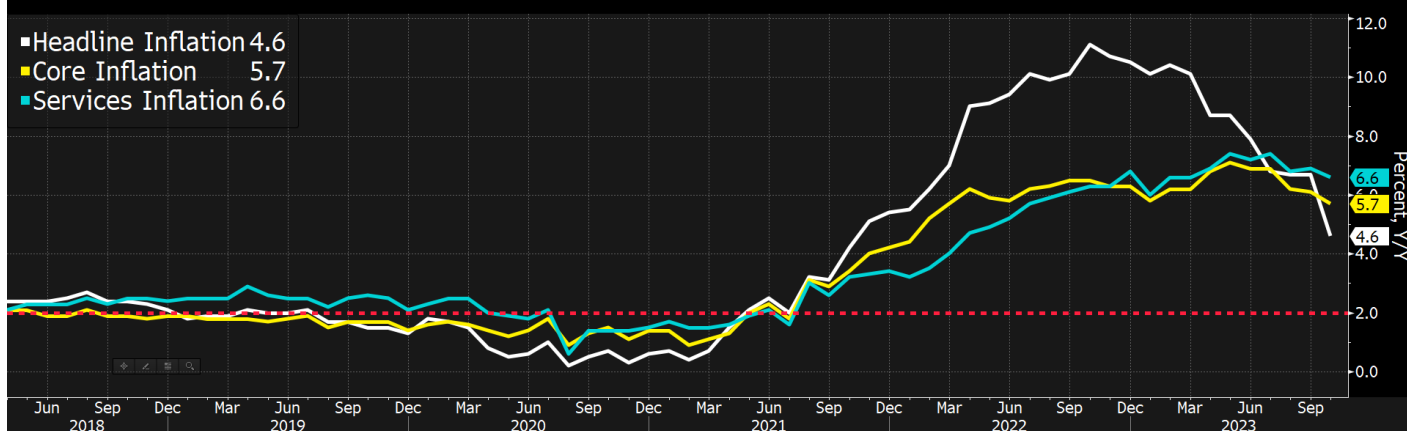
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Chart of the Week

UK Inflation



Source: Bloomberg – A clear downtrend confirmed in UK inflation

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		- US durable goods orders	- Japan CPI	- Germany GDP yy

Market Performance – 17/11/2023

Global Market Indices	2023 YTD %*
FTSE 100	2.95%
S&P 500	19.13%
STOXX 600	9.71%
Nikkei 225	30.61%
Hang Seng	-6.53%
Fixed Income	Yield %
UK 10 Yr Gilt	4.10%
US 10 Yr Treasury	4.44%
Commodities	2023 YTD %
Gold	8.39%
Currency	
GBP/USD	1.24 (17/11/2023)
GBP/EUR	1.14 (17/11/2023)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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