



Weekly Investment Update

1st December 2023

News Headlines

The Federal Reserve's Beige Book – The Beige Book from the Federal Reserve, a qualitative assessment of economic conditions, revealed a pessimistic outlook for the US economy. The economic report showed that economic activity slowed as consumers pulled back on their discretionary spending amidst an easing labour market. Additionally, the report highlighted that inflation slowdown continued despite prices remaining elevated. Data released illustrated that the US economy grew faster than initially expected in Q3. This challenged the optimism surrounding interest rate cuts, as the Federal Reserve have repeatedly called for subpar growth in order to combat inflation.

Inflation Data – Inflation in the Eurozone fell more than expected to 2.4% for November, down from 2.9% in October. The drop will likely provide some relief to consumers and has heightened expectations that the European Central Bank's may be inclined to cut interest rates sooner than expected. Falling energy prices and a slowing growth in food and services prices were the biggest contributors to the slowdown of inflation. Despite this positive development, the President of the European Central Bank, Christine Lagarde, has warned that it is "not the time to start declaring victory" as it is widely expected that rising energy prices will drive inflation back above 3% during the winter period.

Market Summary

Global Equities – Global equities provided mixed returns as the MSCI World index posted a slight gain of 0.32% for the week as at Thursday's close. Equities in Europe staged a rally towards the end of the week after the release of lower-than-expected eurozone inflation data and strong retail sales data out of Germany boosted investor sentiment. In the US, the Dow Jones index provided the strongest returns over the week while technology stocks (Nasdaq index) underperformed. In the UK, the FTSE 100 index remained relatively flat and touched a two-week low on Tuesday. The worst performers were Chinese equities, with the Hong Kong Hang Seng declining -2.92% over the week, which reflected widespread investor concerns over China's economic health.

Commodities – Commodities rose slightly throughout the week, with the Bloomberg Commodity index returning 0.38% for the week as at Thursday's close. Oil prices slumped after OPEC+ cut oil supplies by a smaller-than-expected margin as traders hoped for deeper supply cuts given the recent decline in prices. Gold hovered near a seven-month high on Friday after surging through the \$2,000 per ounce mark at the start of the week.

Fixed Income – The prospect that the Federal Reserve's rate hiking cycle has peaked with inflation coming in lower-than-anticipated fuelled the strongest month for bond markets since the 1980s. bond continued to rally as yields declined, with the Bloomberg Global Aggregate index rising 1.10% for the week as at Thursday's close.

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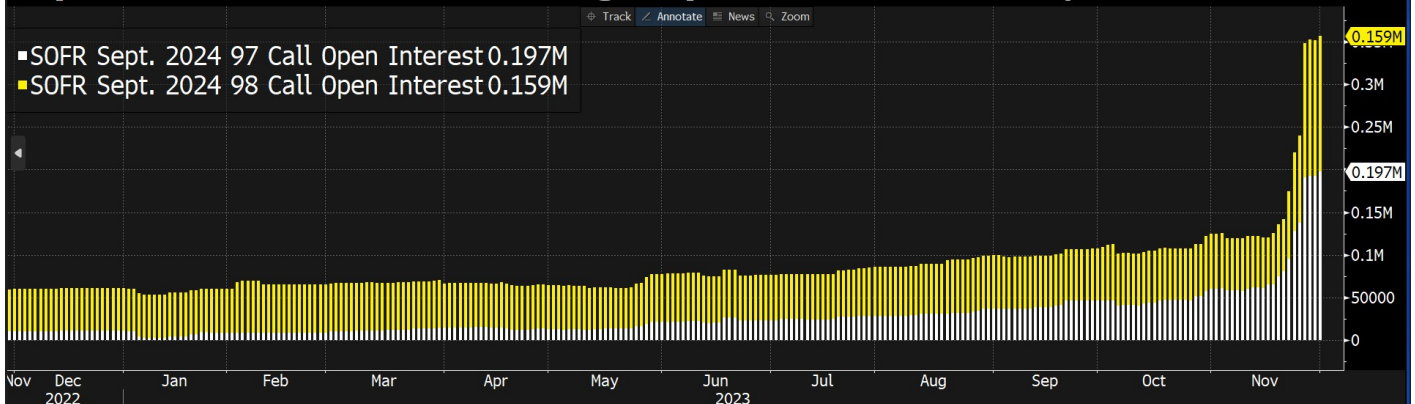
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Chart of the Week

Rate Cut Bets Surge Sept. '24 SOFR calls see large open interest at 97, 98



Source: Bloomberg – Interest rate cut bets surge in the US

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- Bank of Australia rate decision	- Bank of Canada rate decision	- EU retail sales	- EU employment	- US employment rate - Germany CPI final yy

Market Performance – 01/12/2023

Global Market Indices	2023 YTD %*
FTSE 100	3.68%
S&P 500	20.79%
STOXX 600	12.31%
Nikkei 225	30.85%
Hang Seng	-10.61%
Fixed Income	Yield %
UK 10 Yr Gilt	4.20%
US 10 Yr Treasury	4.32%
Commodities	2023 YTD %
Gold	11.55%
Currency	
GBP/USD	1.26 (01/12/2023)
GBP/EUR	1.16 (01/12/2023)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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