



» Weekly Investment Update

8th December 2023

News Headlines

European Central Bank Interest Rate – Markets are now predicting that the European Central Bank (ECB) will be the first major central bank to cut its interest rate next year after a policymaker described the slowdown in eurozone inflation last week as “encouraging”. Governing Council member, Francis Villeroy de Galhau, said in an interview this week that “barring any shock, there will be no further increase in our rates” and “Our decision to raise interest rates are fully playing their role as a remedy against the disease that is inflation”. It is likely that the ECB will begin to cut rates in the first quarter next year, a huge shift in sentiment from just a few weeks ago in where cuts were not priced in. Investors are now anticipating as many as six quarter point cuts in 2024.

China Debt Downgrade – China’s credit outlook has been downgraded by Moody’s Investment Service after it raised concerns over mounting debts in the world’s second largest economy. China’s fiscal stimulus to support local governments amid a property sector downturn has posed risks to the nation’s economy, underpinning concerns around the level of debt. Moody’s cut the outlook for Chinese debt from stable to negative, increasing the risk of a full downgrade from its A1 investment grade rating in the next 18 months.

Market Summary

Global Equities – Global equities finished the week relatively flat as at Thursday’s close. Equities in Europe put in a positive performance, with the STOXX 600 index hitting a four-month high midweek, and the German DAX index touching all-time highs amid improved bets of ECB interest rate cuts. After a number of consecutive declines, equities in the US bounced back towards the end of the week, led by technology stocks after data released on Thursday showed an uptick in weekly jobless claims in the US. In Asia, Japan’s Nikkei 225 index lost ground with markets pricing in a higher chance that the Bank of Japan would move away from negative interest rates at its meeting on the 19th December.

Commodities – Commodity prices declined throughout the week. Oil prices were on track for a seventh consecutive week of losses over concerns of an oversupply and weaker demand. The rally in gold cooled after hitting all-time highs of \$2,135.40 per ounce on Monday, dropping by almost \$100 per ounce from the highs by the end of the week.

Fixed Income – Global bonds provided positive returns, with the Bloomberg Global Aggregate index climbing 0.70% for the week as at Thursday’s close.

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Chart of the Week

Aggressive ECB Cut Bets Grow Markets pricing six cuts in 2024



Source: Bloomberg – Markets are expecting a number of ECB interest rate cuts in 2024

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US CPI yy	- US Federal Reserve interest rate announcement - US PPI inflation yy	- UK Bank of England interest rate announcement - ECB interest rate announcement	

Market Performance – 08/12/2023

Global Market Indices	2023 YTD %*
FTSE 100	4.77%
S&P 500	20.74%
STOXX 600	14.28% (as at 06/12/2023)
Nikkei 225	24.99%
Hang Seng	-12.26%
Fixed Income	Yield %
UK 10 Yr Gilt	3.97%
US 10 Yr Treasury	4.13%
Commodities	2023 YTD %
Gold	11.08%
Currency	
GBP/USD	1.26 (08/12/2023)
GBP/EUR	1.17 (08/12/2023)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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