



Weekly Investment Update

15th December 2023

News Headlines

Central Bank Rate Decisions – Key central banks announced their latest decisions on interest rates this week. In the US, the Federal Reserve held rates at the highest level in 22 years for the third meeting in a row but gave the clearest signal yet that the aggressive rate increases are finished, forecasting a series rate cuts next year. Federal Open Market Committee members have not pencilled in any further interest rate increases in their projections for the first time since March 2021.

The Bank of England (BoE) and European Central Bank (ECB) also kept rates as they were, but the heads of both banks provided much less accommodative commentary along with the announcements. The BoE governor said that the bank had “come a long way this year” after aggressive rate hikes helped to bring inflation down from 10% in January to 4.6% in October, but “there is still some way to go”. Insisting that inflationary pressures would remain strong going forward, the ECB’s President pushed back on bets of imminent interest rate cuts.

UK Services PMI Boost – The UK’s huge service sector saw another pick-up in growth in December, suggesting that the economy may have enough momentum to avoid a recession for the time being. The S&P Global/CIPS UK Composite Purchasing Managers’ Index (PMI) preliminary reading in December rose to 51.7 which is the highest level in six months, up from November’s figure of 50.7. Service sector PMI rose to 52.7, remaining above the 50.0 growth threshold, whereas manufacturing PMI came in at 46.4, reversing some of November’s improvement and showing the 17th consecutive month of contraction.

COP28 Deal – COP28 talks, held in Dubai, closed on Wednesday with a deal that includes a commitment to transition away from fossil fuels for the first time. More than 190 nations accepted a text that calls on the world to transition away from fossil fuels. The agreement required buy-in from Saudi Arabia and other oil producers who had pushed back on the idea of phasing out or phasing down fossil fuels, but after phrasing was changed to a “transitioning away” from fossil fuels instead, the nations agreed to the deal.

Market Summary

Global Equities – Dovish comments and policy outlook from Federal Reserve Chairman Jerome Powell and other policymakers gave global equity markets a broad-based boost, putting them on track for a seventh-straight week of gains. In the US, the S&P 500, Nasdaq, and Dow Jones Industrial Average indices all trended higher, with the Dow Jones closing at fresh record highs on Thursday. In Europe, the STOXX 600 benchmark index rose to a 23-month high, on track for its fifth straight weekly gain since April. In the UK, the FTSE 100 index touched its highest levels since September, while the more domestically focused FTSE 250 index rallied sharply, climbing to its highest level since July.

Commodities – Commodity prices were also given a boost by positive sentiment as the Bloomberg commodity index posted its strongest daily gain in over a year on Thursday. Both Brent Crude and WTI oil are headed for a weekly gain, breaking a run of seven consecutive weeks of losses. Gold prices are also on track for a weekly gain, driven by a weaker US dollar and lower US Treasury yields.

Fixed Income – Global bonds rallied on the back of the Federal Reserve’s policy outlook. The US’s key 10-year Treasury yield continued its recent rally, closing below 4% for the first time since July.

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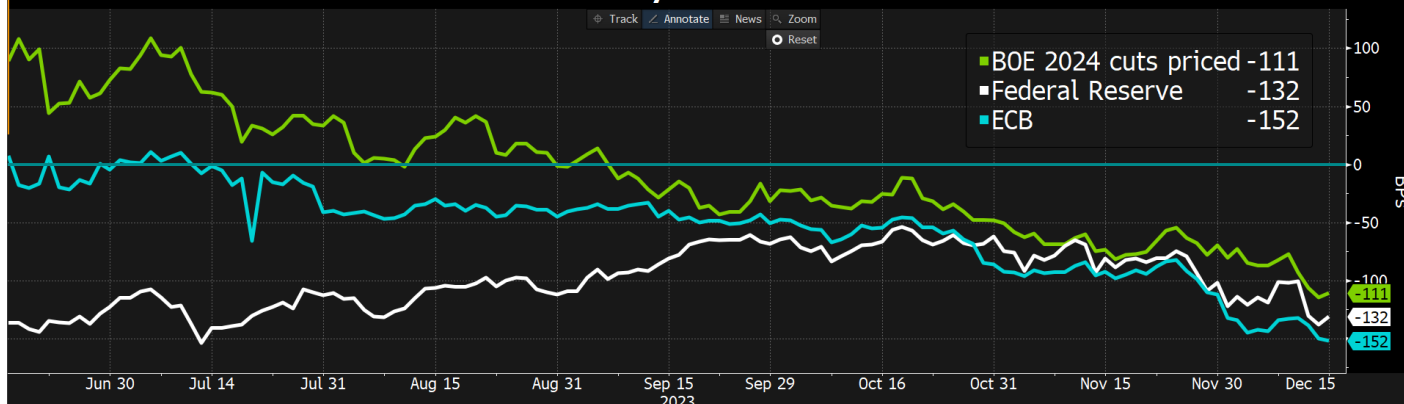
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Chart of the Week

Powell Releases the Doves Markets look for cuts from Fed, ECB in 2024



Source: Bloomberg – Markets are pricing in interest rate cuts from the Fed and ECB

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- Eurozone inflation yy	- United Kingdom CPI yy	- Japan CPI yy	- UK retail sales yy - US new home sales

Market Performance – 15/12/2023

Global Market Indices	2023 YTD %*
FTSE 100	6.42%
S&P 500	24.87%
STOXX 600	16.01%
Nikkei 225	27.72%
Hang Seng	-13.95%
Fixed Income	Yield %
UK 10 Yr Gilt	3.79%
US 10 Yr Treasury	3.93%
Commodities	2023 YTD %
Gold	11.62%
Currency	
GBP/USD	1.28 (15/12/2023)
GBP/EUR	1.16 (15/12/2023)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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