

Weekly Investment Update

19th January 2024



News Headlines

UK Retail Sales – Retail sales in the UK fell 3.2% between November and December after rising 1.4% in the previous month. The decline was much larger than economists expected (a fall of 0.5%) and is the largest monthly decline since January 2021. Trade volumes fell by 2.8% throughout the year in 2023, leaving them at their lowest levels since 2018. The data could spur markets into believing the Bank of England may cut interest rates quicker than expected.

US Government Shutdown Averted – US Congress have passed a temporary spending bill to avoid a partial government shutdown over the weekend, with the bill sent to the White House for President Joe Biden to sign. Some government agencies are due to run out of money on Friday, and this bill provides lawmakers the time to negotiate on annual funding.

Trump's Return – Former US President, Donald Trump, won Iowa's Republican presidential caucuses on Monday in a decisive victory that may see a rematch for presidency with Joe Biden in November's election. As it stands however, Trump still faces 91 criminal charges in four separate cases which hasn't deterred his Republican supporters so far.

Market Summary

Global Equities – Global equities declined and finished negative for the week as at Thursday's close. In the US, the S&P 500 index finished flat after bouncing back from its weekly lows on Wednesday, led by a rally in technology stocks. In the UK, the FTSE 100 declined, but also bounced back somewhat at the end of the week after weak retail sales data boosted hopes that the Bank of England would act quicker to cut interest rates. In Asia, Chinese equities declined sharply as investors turned more pessimistic about the state of the Chinese economy after a measure of prices in Q4 2023 marked the longest decline since 1999.

Commodities – Commodity prices dipped slightly for the week as at Thursday's close. Gold prices declined versus the US dollar throughout the week after strong economic data out of the US and markets predicting a lesser chance of an interest rate cut by the federal Reserve in March as a consequence. Oil prices (Brent Crude & WTI) headed for a slight weekly gain as optimistic demand outlooks and output disruptions in the US helped ease fears around slowing economic growth and high interest rates.

Fixed Income – Global bonds declined. Hawkish comments from a US Federal Reserve governor, pushing back on market's expectations of rapid interest rate cuts pushed yields higher.

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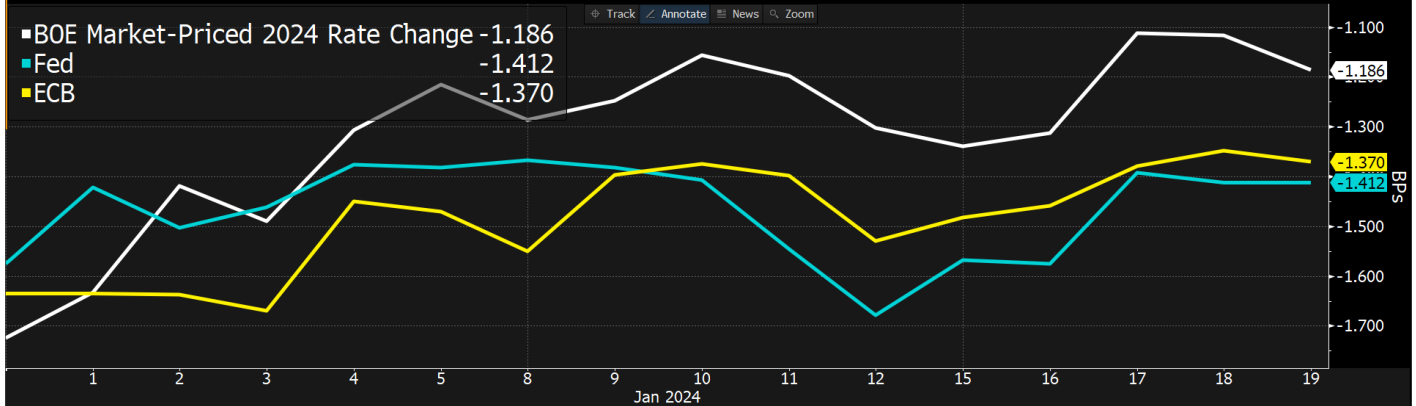
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Chart of the Week

BOE Seen Being More Hawkish Markets price in ~4 cuts, versus ~6 from Fed and ECB



Source: Bloomberg – Markets are pricing in 4 interest rate cuts from the Bank of England and 6 rate cuts from the Federal Reserve

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- Bank of Canada rate decision			- European Central Bank rate announcement - US jobless claims	

Market Performance – 19/01/2024

Global Market Indices	2024 YTD %*
FTSE 100	-3.49%
S&P 500	0.29%
STOXX 600	-1.72%
Nikkei 225	5.98%
Hang Seng	-9.71%
Fixed Income	Yield %
UK 10 Yr Gilt	3.91%
US 10 Yr Treasury	4.15%
Commodities	2024 YTD %
Gold	-2.04%
Currency	
GBP/USD	1.27 (19/01/2024)
GBP/EUR	1.17 (19/01/2024)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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