

» Weekly Investment Update

16th February 2024



News Headlines

UK/Japan Recessions – The UK fell into recession during the final quarter of 2023 according to Office of National Statistics (ONS) figures. A key measure of economic activity, gross domestic product (GDP), dropped by 0.3%, which was a sharper drop than anticipated, and follows a fall of 0.1% in the third quarter of last year. Growing the economy was one of Prime Minister Rishi Sunak's key pledges made in January 2023.

Japan also unexpectedly fell into recession due to weak domestic consumption. Gross domestic product fell 0.4% in the final quarter of 2023, causing Japan to lose its position as the world's third largest economy, overtaken by Germany. Economists had expected growth of 1.4% quarter-on-quarter.

US Inflation – US consumer prices came in hotter than expected in January, increasing by 0.3% in the month. In the 12 months to January, consumer prices increased by 3.1%, higher than economists' forecast of 2.9%. The latest pick-up in inflation increases the likelihood that the US Federal Reserve will keep interest rates higher for longer and has pushed back expectations of a rate cut in March.

Market Summary

Global Equities – Global equities provided positive returns for the week as at Thursday's close. In Japan, equities continued their recent rally, with the Nikkei 225 index hitting a fresh 34-year high and within touching distance of all-time highs.

Equities in the UK and Europe provided decent returns, with the pan-European STOXX 600 index hitting a two-year high, while the UK FTSE 100 rose, boosted by stronger-than-expected retail sales in the UK.

In the US, equities continued their positive streak as the S&P 500 index hit another record high. Investor optimism improved following a number of economic reports.

Commodities – Commodity prices declined in general over the week. The price of gold fell versus the US dollar after investors scaled back expectations of early interest rate cuts from the US Federal Reserve. Oil prices rallied slightly but gave up most of their gains at the end of the week as concerns of slowing demand and a number of weak economic readings pushed prices lower.

Fixed Income – Fixed income returns remained relatively flat throughout the week. The US 10-year Treasury yield hit its highest level since November after the inflation data was released in the US.

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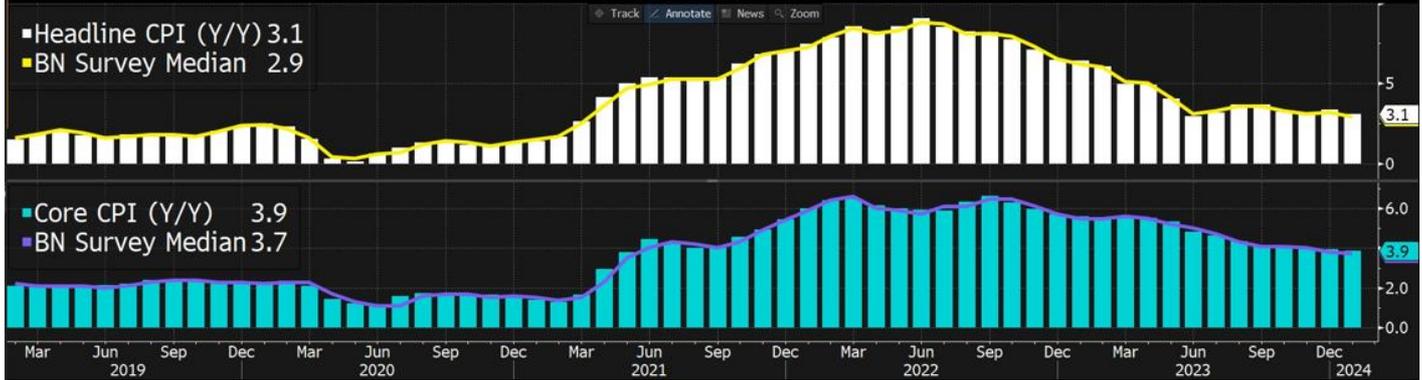
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Chart of the Week

US CPI Comes in Above Estimates Both headline and core January figures hot



Source: Bloomberg – US consumer prices come in above estimates

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
			- Eurozone inflation yy	- Germany GDP yy

Market Performance – 16/02/2024

Global Market Indices	2024 YTD %*
FTSE 100	-1.53%
S&P 500	5.64%
STOXX 600	2.18%
Nikkei 225	14.03%
Hang Seng	-6.47%
Fixed Income	Yield %
UK 10 Yr Gilt	4.00%
US 10 Yr Treasury	4.23%
Commodities	2024 YTD %
Gold	-2.94%
Currency	
GBP/USD	1.26 (16/02/2024)
GBP/EUR	1.17 (16/02/2024)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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