

Weekly Investment Update

23rd February 2024



News Headlines

Eurozone Inflation – Consumer inflation in the Eurozone fell in line with expectations to 2.8% in January, down from the 2.9% reading in December. Core inflation, inflation which excludes the volatile prices of energy and food, eased to 3.3%. Chief Eurozone economist, Claus Vistlesen, forecasts a slight increase in core inflation to 2.9% in March, followed by a decline to 2.2% in April. Despite the expected rise in inflation, Vistlesen believes that the European Central Bank (ECB) will cut rates in April, with markets reducing their expectations to 6 projected interest rate cuts this year.

Federal Reserve Minutes – The January meeting minutes of the US Federal Open Market Committee (FOMC) emphasised the Federal Reserve's (The Fed) concern about prematurely cutting interest rates. This provided uncertainty around the duration that interest rates should remain elevated to achieve the Fed's 2% inflation target. This uncertainty has tempered expectations for interest rate cuts, with markets now anticipating only four rate cuts this year.

Artificial Intelligence – Nvidia, a world leader in Artificial Intelligence (AI) software, reported Q4 2023 earnings that surpassed already high expectations. Nvidia outlined a bullish forecast for Q1, driven by soaring demand for its industry-leading AI chips. This development has reignited confidence that advancements in AI could provide further upward momentum to stock prices.

Market Summary

Global Equities – Global equities experienced volatility, rebounding after a minor market sell-off, propelled by Nvidia's robust earnings. Major US indexes, Nasdaq 100 and S&P 500, achieved fresh all-time highs, returning +1.82% and +1.64%, respectively, as of Thursday's close. This positive trend extended globally, with the MSCI World Index returning +1.39%. In Japan, a combination of positive market sentiment and attractive valuations propelled the Nikkei 225 to 35-year highs, returning +1.59% for the week, as of Thursday's close.

Commodities – Despite a volatile week, gold prices remained relatively flat, concluding the week +0.72%, as of Thursday's close.

Concerns of slowing demand largely offset bets on tighter supplies linked to disruptions in the Middle East, resulting in Brent Crude Oil finishing the week -0.17%, as of Thursday's close. However, tighter US inventories contributed to WTI Crude Oil (oil sourced from the US) ending the week positively at +1.67%, as of Thursday's close.

Fixed Income – Treasury yields increased as markets responded to reduced expectations of interest rate cuts from the Federal Reserve.

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Chart of the Week

Paring Back ECB Cut Bets Markets remove 100BPs of easing priced in for 2024



Source: Bloomberg – Markets have eased on their rate cut bets from the ECB

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- Japan CPI	- US Consumer Confidence		- Germany CPI yy - Japan unemployment	

Market Performance – 23/02/2024

Global Market Indices	2024 YTD %*
FTSE 100	-0.20%
S&P 500	6.87%
STOXX 600	3.60%
Nikkei 225	16.84%
Hang Seng	-1.79%
Fixed Income	Yield %
UK 10 Yr Gilt	4.11%
US 10 Yr Treasury	4.33%
Commodities	2024 YTD %
Gold	-1.78%
Currency	
GBP/USD	1.27 (23/02/2024)
GBP/EUR	1.17 (23/02/2024)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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