

Weekly Investment Update

21st June 2024



News Headlines

UK CPI Inflation – Inflation figures released by the Office for National Statistics (ONS) showed that the UK Consumer Price Index (CPI) rose by 2.0% in the 12 months to May, down from 2.3% in April. The Consumer Prices Index including owner occupiers' housing costs (CPIH) increased by 2.8% in the 12 months to May, down from 3.0% in April. These figures represent the lowest annual inflation rates since July 2021, indicating a significant reduction from the peak rates seen in October 2022. Despite this decrease in headline inflation, core inflation - which excludes the volatile prices of food and energy - remained high at 3.5%. Services inflation also stayed elevated at 5.7%, exceeding the Bank of England's forecasts.

BoE Rate Decision – The Bank of England's (BoE) Monetary Policy Committee (MPC) voted 7-2 in favour of keeping rates unchanged for the sixth consecutive meeting, maintaining the Bank's base rate of 5.25%. This decision reflects the Bank's cautious approach in closely monitoring inflation trends, which have shown improvement and are now aligning with the 2% target. Policymakers emphasised the need for assurance that inflation will remain low before considering any rate cuts. Despite progress in controlling inflation, there are concerns about reducing rates prematurely.

Market Summary

Global Equities – There was a generally positive trend across major indices, with notable gains in several regions. The MSCI World and MSCI ACWI indices both experienced healthy increases of +0.81% and +0.91% respectively, as of Thursday's close, reflecting a broad-based rise in global equities. UK stocks rallied as investor sentiment was buoyed by positive inflation data and the prospect of an impending interest rate cut. European markets mirrored this optimism, as evidenced by the Stoxx 600 Index posting a notable gain of +1.58%, as of Thursday's close. This increase was largely attributed to diminishing French political concerns and growth in the technology and real estate sectors.

In the US, the S&P 500 Index briefly reached a record high of 5500 on Wednesday before retreating as Nvidia's recent rally lost momentum, pulling down the broader technology sector. Additionally, economic reports highlighted signs of a weakening economy. Despite this, the index still saw a gain of +0.78% for the week, as of Thursday's close. In Asia, the Hong Kong Hang Seng Index outperformed significantly, surging by +2.26%, as of Thursday's close.

Commodities – Commodity markets have shown a modest overall uptick, as reflected in the Bloomberg Commodity Index, which rose by +0.30%, as of Thursday's close. Gold prices climbed by +0.96%, as of Thursday's close, emphasising the ongoing appeal of gold as a safe-haven asset amidst growing tensions in the Middle East. Brent Crude and WTI Crude Oil prices also surged this week, marking the second consecutive week of significant gains. This increase has been driven by indications of rising demand and decreasing oil and fuel inventories in the U.S.

Fixed Income – UK 10-year Gilt yields decreased this week as their prices rose, reflecting investors' adjustment of interest rate cut expectations following lower inflation data and the BoE's rate decision.

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Chart of the Week

UK Headline Inflation Eases Services prove stickier



Source: Bloomberg – UK Headline Inflation Eases

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
-	- U.S Consumer Confidence	-	- U.S Jobless Claims	- Japan Unemployment Rate

Market Performance – 21/06/2024

Global Market Indices	2024 YTD %*
FTSE 100	9.21%
S&P 500	15.53%
STOXX 600	11.09%
Nikkei 225	16.33%
Hang Seng	9.75%
Fixed Income	Yield %
UK 10 Yr Gilt	4.03%
US 10 Yr Treasury	4.26%
Commodities	2024 YTD %
Gold	13.81%
Currency	
GBP/USD	1.27 (21/06/2024)
GBP/EUR	1.18 (21/06/2024)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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