



Weekly Investment Update

16th August 2024

News Headlines

UK Economy – In the second quarter, the UK economy posted strong growth as it recovers from a recession from last year's shallow recession. GDP (gross domestic product) grew by 0.6% in the second quarter, after an expansion of 0.7% in the first quarter. Despite the strong quarterly growth, growth in June slowed, coming in flat, showing a loss of momentum going into the second half of the year.

UK inflation came in higher than the Bank of England's target of 2% in July, rising by 2.2%, which was under economists estimates of 2.3% for the month. The domestic unemployment rate declined to 4.2% in the second quarter, down from 4.4% in the previous three months. Additionally, the average regular earnings growth slowed to its lowest level in a year, coming in at 5.4% over the second quarter.

US Data – Fears of an economic slowdown in the US were somewhat repressed following the release of stronger than expected labour market and retail sales data. Headline retail sales exceeded expectations, accelerating 1% month-on-month in July versus the 0.4% expected, and the fastest increase in retail sales since January 2023. US weekly jobless claims came in lower than expected reflecting the continued strength and resilience within the economy. Two Federal Reserve officials commented, stating that inflation seems to have returned to a path of 2%, and that they were "open" to an interest rate cut in September.

Market Summary

Global Equities – Global equities produced healthy returns for the week as at Thursday's close. The better than expected economic data out of the US spurred rallies in equity markets as the data provided further indications that a soft landing may be achievable for the economy. In the US, the S&P 500 index finished Thursday just c.-2% from all-time highs seen recently. Asian equities headed for their best weekly performance in almost a year as equities in Japan continued their recovery from the sharp sell-off seen at the beginning of the month after Japan's economy grew more than expected in the second quarter. Equities in the UK and Europe followed the momentum set by US markets, finishing higher for the week.

Commodities – Commodity prices generally provided positive returns for the week as at Thursday's close. The prospect of stronger US growth drove a rally in both Brent crude and WTI oil prices, as well as industrial metals such as copper. Gold also gained versus the US dollar over the week, hovering around all-time highs.

Fixed Income – Global bonds were little changed for the week as at Thursday's close. Markets trimmed expectations of a 0.50% interest rate cut from the US Federal Reserve in September which saw the largest daily increase in the US 2-year (shorter term) yield since the beginning of June.

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Address:
Frenkel House, 15 Carolina Way, Salford, Manchester, M50 2ZY



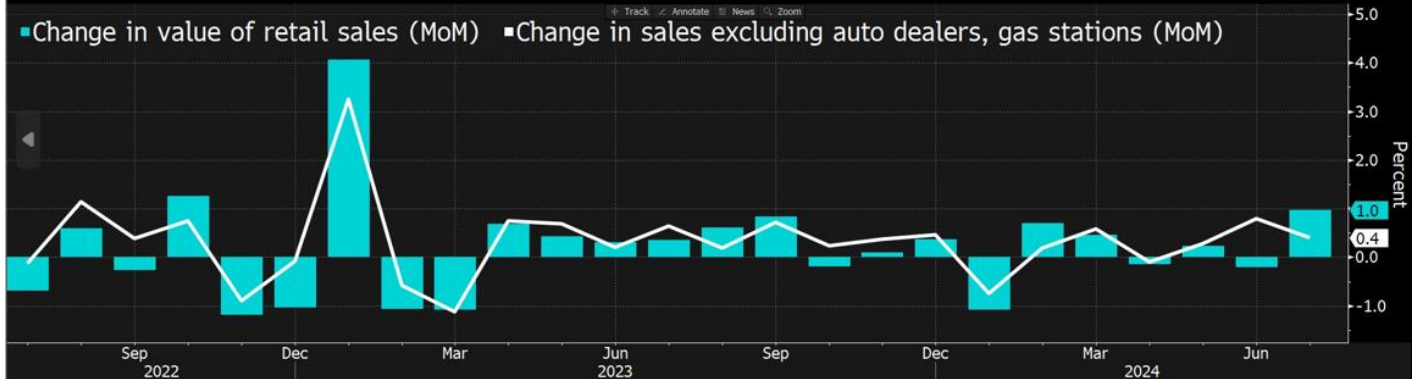
Enquiries:
0161 886 8000
enquiries@ascenciaim.co.uk



Web:
www.ascenciaim.co.uk

Chart of the Week

US Consumer Resilience Retail sales climb most since early 2023



Source: Bloomberg –

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
-	- Euro inflation	-	-	- Japan CPI

Market Performance – 16/08/2024

Global Market Indices	2024 YTD %*
FTSE 100	11.01%
S&P 500	17.22%
STOXX 600	9.51%
Nikkei 225	10.70%
Hang Seng	3.81%
Fixed Income	Yield %
UK 10 Yr Gilt	3.90%
US 10 Yr Treasury	3.92%
Commodities	2024 YTD %
Gold	18.35%
Currency	
GBP/USD	1.17 (16/08/2024)
GBP/EUR	1.29 (16/08/2024)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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