



Weekly Investment Update

13th December 2024

News Headlines

ECB Rate Decision – The European Central Bank (ECB) cut its deposit rate by 0.25% to 3%, marking its fourth cut this year and the lowest rate since March 2023, while dropping its commitment to maintaining “sufficiently restrictive” rates. This signals openness to further cuts amid mixed economic signals. ECB President Christine Lagarde acknowledged weak confidence indicators and rising inflation but highlighted better than expected Q3 growth and a projected disinflation trend. The ECB expects GDP growth to increase in the coming years, though risks remain, including political instability and external pressures, such as potential US trade policies under President-elect Donald Trump. Market reactions to the decision were modest. The euro experienced a slight decline, and European stock indices and bond yields showed minimal changes following the decision.

US Inflation – In November, the US Consumer Price Index (CPI) rose by 2.7% year-on-year, slightly up from October's 2.6%. On a monthly basis, the CPI increased by 0.3%, exceeding economists' expectations of 0.2%. Core inflation, which excludes food and energy prices, remained steady at 3.3% annually and also saw a 0.3% month-on-month rise. Despite this uptick, the Federal Reserve is still expected to cut interest rates by 0.25% this month.

UK Economy – The UK economy contracted by 0.1% in October, marking the second consecutive monthly decline after the same contraction in September. This downturn fell short of market expectations of a 0.1% expansion and also marks the first time the economy has contracted in two consecutive months since 2020, during the onset of the Covid-19 pandemic. The Office for National Statistics attributed the decline to stagnation in the services sector and reduced activity in construction and manufacturing. Chancellor Rachel Reeves acknowledged the figures as “disappointing” but emphasised that recent budget measures aim to promote long-term growth.

Market Summary

Global Equities – Global equities saw mixed results this week. US indices ended the week lower as of Thursday's close, after nearing record highs midweek, following stronger than expected US Producer Price Index (PPI) data. Technology stocks in the US drove market gains midweek but could not sustain momentum as central bank caution dampened global risk appetite. European and UK equities showed resilience, remaining relatively flat for the week. Asian markets performed strongly, led by the Hong Kong and Japanese indices, driven by optimism around China's dovish monetary policy signals and global technology gains.

Commodities – Commodity prices generally rose this week, with the Bloomberg Commodity Index posting a solid gain as of Thursday's close. Oil prices climbed on optimism surrounding China's monetary easing and improved demand expectations. Gold also gained against the US dollar, peaking midweek due to geopolitical risks and persistent inflation, before retreating amid rising bond yields.

Fixed Income – Sovereign bond markets saw rising yields this week, with the 10-year US Treasury climbing to 4.33%, driven by stronger US PPI data and inflation concerns. In the UK, 10-year Gilt yields also rose amid concerns about the fiscal position and the potential for higher inflation. European spreads tightened, reflecting easing political tensions.

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UK's Economic Double Dip

GDP posts first back-to-back monthly declines since 2020



Source: Bloomberg – UK's Economic Double Dip

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- US Manufacturing and Services PMI		- UK CPI (YoY) - Eurozone CPI (YoY) - Fed Rate Decision - BoJ Rate Decision	- BoE Rate Decision - US GDP QoQ	

Market Performance – 13/12/2024

Global Equity Market Indices	2024 YTD %*	2023 %*	2022 %*	2021 %*	2020 %*	2019 %*
FTSE 100	11.37%	7.68%	4.57%	18.40%	-11.44%	17.23%
S&P 500	28.53%	26.26%	-18.13%	28.68%	18.39%	31.47%
STOXX 600	12.10%	16.63%	-9.88%	25.82%	-1.44%	27.94%
Nikkei 225	21.01%	31.01%	-7.35%	6.66%	18.28%	20.73%
Hang Seng	24.97%	-10.46%	-11.48%	-12.64%	-1.00%	15.05%
Fixed Income	Yield %					
UK 10 Year Gilt	4.36%					
US 10 Year Treasury	4.33%					
Commodities	2024 YTD %**	2023 %**	2022 %**	2021 %**	2020 %**	2019 %**
Gold	28.92%	13.10%	-0.28%	-3.64%	25.12%	18.31%
Currency						
GBP/USD	1.27 (13/12/2024)					
GBP/EUR	1.21 (13/12/2024)					

Source: FE Analytics/ Bloomberg

*Total Return/Local currency **Spot Return USD

Past Performance is no guide to future performance and the value of investment and income from them can fall as well as rise

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