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Investment Management

Weekly Investment Update

15th September 2023

News Headlines

European Central Bank Rate Decision – The European Central Bank (ECB) this week raised its key interest rate by 0.25% to reach a record high of 4%. This marks a huge problem for the ECB, as they prioritise tackling rising prices over an economy that is deeply struggling. The ECB assume inflation will cool more slowly as they cut their 2023/2024 growth prospects and improve their inflation forecasts. This has prompted ECB President, Christine Lagarde, to suggest that rate hikes are most likely at an end, proposing that maintaining elevated interest rates will be key for the 'timely return of inflation to the target'. Market participants have doubts about this as they race to reevaluate their expectations of interest rate cuts early next year.

US Inflation Data – Data out of the US highlighted an increase in consumer prices in August, all but cementing prospects that the US Federal Reserve (Fed) will leave interest rates unchanged at their next meeting. The US Consumer Price Index (the average price of goods and services) rose by 0.6% in August, the biggest rise in 14 months, on the back of rising energy prices. However, the Core Consumer Price Index (excluding volatile energy and food prices) slowed, increasing only by 0.3% in August. Additionally, stronger than anticipated US producer prices added to worries that rates would need to stay higher for longer. Markets are now pricing in a 97% chance of a pause in September and a 61% chance of a hike in November.

China's Central Bank – China's central bank (The People's Bank of China) announced that it would be cutting the amount of cash required by banks to hold for a second time this year, as it looks to raise liquidity in a bid to support the country's economic recovery. A 0.25% cut to the reserve requirement ratio (RRR) is projected to raise approximately $68 billion as China looks to tackle falling demand and improve investor confidence. Over the last few months, the Chinese government has announced a series of policy measures, however, they have not provided the expected boost to the economy.

Market Summary

Global Equities – Positive market sentiment and a surge in iron ore prices helped push the FTSE 100 index to its highest level in 6 weeks, to finish the week +2.61%, as of Thursday's close. Within the US, inflation data combined with strong retail sales demonstrated a resilient economy, this indicated to markets that the Fed will leave interest rates unchanged for the time being. US stocks responded positively, with technology stocks leading the way, causing the NASDAQ 100 index and S&P 500 index to finish the week +1.28% and +1.10% for the week, as of Thursday's close. It was a similar story within Europe, with the STOXX 600 index finishing the week +1.37%, as of Thursday's close, as investors expect the end of the ECB's rate hiking cycle.

Commodities – Saudi Arabia and Russia continued to restrict oil supply as they seek to move away from US dependency. Oil prices (WTI & Brent Crude) continued to climb, finishing the week +3.36% and +3.03%, as of Thursday's close. Soaring oil prices has seen Brent Crude reach $92 per barrel for the first time since November 2022.

Higher than expected US producer prices and strong retail sales dragged gold prices to a 3-week low.

Fixed Income – Strong economic data within the US has kept US Treasury yields high. However, eurozone bond yields fell with the ECB hinting that rate hikes were most likely finished.

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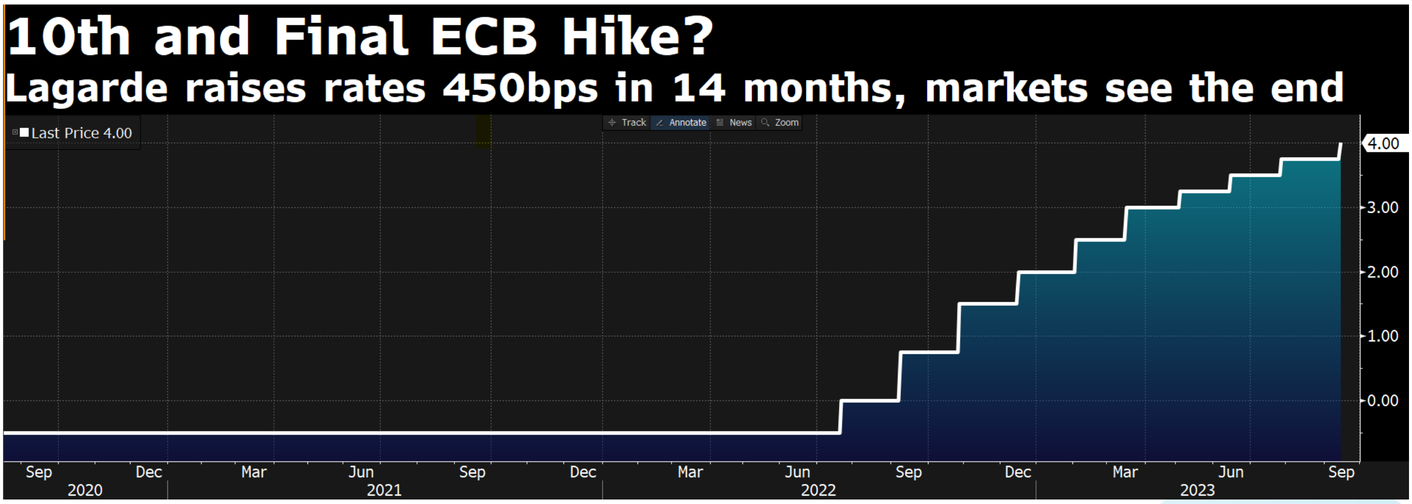
Chart of the Week



Source: Bloomberg – Markets see the ECB's latest rate hike as their last, with cuts to come in March

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- Eurozone inflation yy	- UK CPI yy	- UK Bank of England rate decision	- Japan CPI

Market Performance – 15/09/2023

Global Market Indices	**2023 YTD %***
FTSE 100	6.04%
S&P 500	18.73%
STOXX 600	11.72%
Nikkei 225	28.67%
Hang Seng	-5.61%
Fixed Income	**Yield %**
UK 10 Yr Gilt	4.30%
US 10 Yr Treasury	4.28%
Commodities	**2023 YTD %**
Gold	4.45%
Currency	
GBP/USD	1.24 (15/09/2023)
GBP/EUR	1.17 (15/09/2023)

Source: FE Analytics/ Bloomberg **Total Return/Local currency*