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Investment Management

Weekly Investment Update

22nd September 2023

News Headlines

Central Bank Decisions – In the US, at the end of a two day policy committee meeting, the Federal Reserve chose to maintain its interest rate range at a 22-year high of 5.25%-5.50%. After stating that “we have come very far, very fast”, the bank’s Chair, Jermone Powell, said the Federal Reserve would move “a little more slowly” going forward as the pace of inflation is slowing. More interest rate increases are predicted as early as November as committee members reiterated the message that interest rates must stay higher for longer amid renewed strength in the economy. The committee’s Summary of Economic Projections

The Bank of England (BoE) decided to keep rates at 5.25%, going against market expectations which had priced in another 0.25% rate rise. The pause comes after 14 consecutive rate increases since late 2021, with the Monetary Policy Committee voting 5-4 in favour of maintain the rate as is. Similarly, the Bank of Japan chose to maintain its interest rate, however, the rate is still being held in negative territory as the bank’s Governor said that “sustainable and stable inflation is in sight” as recent inflation is not accompanied by wage growth.

UK Inflation – Prices in the UK rose less than anticipated in August, bringing the annual rate of headline inflation down to 6.7%, which eased pressure on the BoE to raise interest rates after the latest committee meeting. Economists had predicted that inflation would come in at 7% in August, believing that higher oil prices would spur a rise in prices. Core inflation, which excludes food, alcohol, tobacco and energy prices, also fell, to 6.2% year-on-year. Despite the positive figures, the UK still remains an international outlier, with the highest inflation rate among the G7 economies.

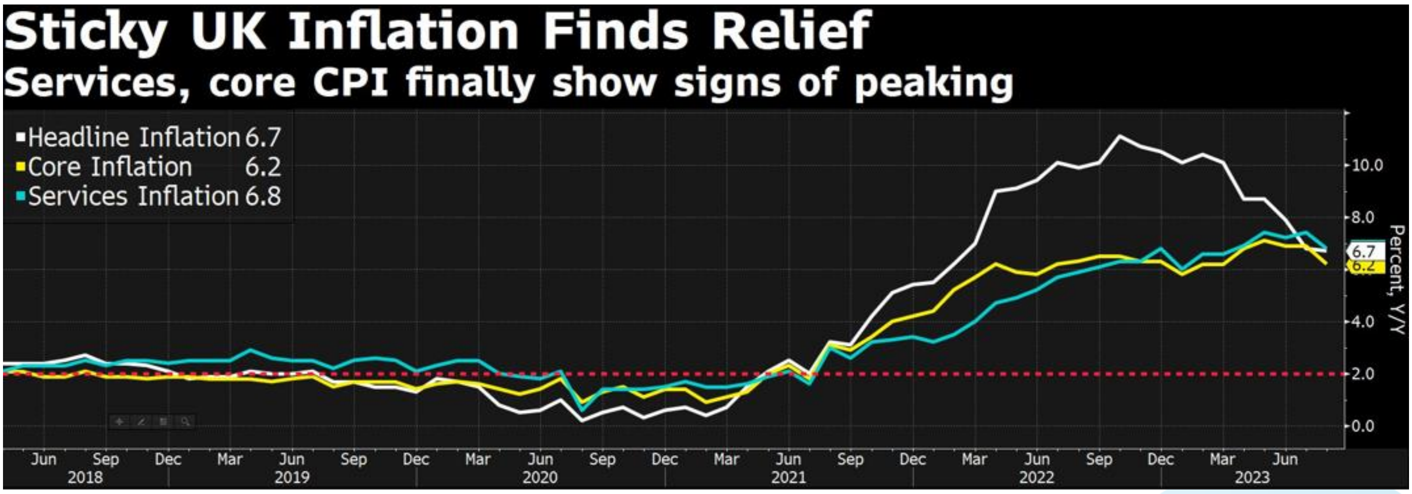
Market Summary

Global Equities – Hawkish remarks from US Federal Reserve committee members on Wednesday and better than expected US jobless claim numbers soured equity market sentiment, dragging the MSCI World index down by -2.51% for the week as at Thursday’s close. The US S&P 500 index saw its worst one day performance since March, while the tech-heavy Nasdaq and small-cap Russell 2000 suffered worse faits, with the Russell 2000 entering technical correction territory. In the UK, the FTSE 100 index was relatively flat for the week after four straight weeks of gains.

Commodities – The Bloomberg Commodity index fell slightly, declining -1.30% over the week as at Thursday’s close. Oil prices (Brent Crude & WTI) gained slightly after supply concerns out of Russia outweighed interest rate hike fears. Goldman Sachs Research now predicts that brent crude oil is expected to hit $100 per barrel in the next 12 months.

Fixed Income – A more hawkish US Federal Reserve pushed yields on the 10-year US Treasury to its highest levels since 2007. Government bonds in the US are facing a mix of large US fiscal deficits and persistent inflation, with government debt heading for a third year of losses. The Bloomberg global aggregate bond index closed at its lowest levels of 2023 so far, inflicting more pain on the fixed income asset class.

Chart of the Week



Source: Bloomberg – UK inflation falls in August, relieving some pressure on the Bank of England

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
			- Japan unemployment rate - US consumer confidence	- US CPI preliminary yy

Market Performance – 22/09/2023

Global Market Indices	2023 YTD %*
FTSE 100	6.12%
S&P 500	14.13%
STOXX 600	10.28%
Nikkei 225	26.35%
Hang Seng	-7.65%
Fixed Income	**Yield %**
UK 10 Yr Gilt	4.30%
US 10 Yr Treasury	4.49%
Commodities	**2023 YTD %**
Gold	4.95%
Currency	
GBP/USD	1.23 (22/09/2023)
GBP/EUR	1.15 (22/09/2023)

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