



»» Weekly Investment Update

2nd February 2024

News Headlines

Central Bank Decisions – The Federal Reserve’s Federal Open Markets Committee decided to keep interest rates in the US on hold for the time being, remaining at a 22-year high of 5.25-5.50%. The bank’s Chairman, Jerome Powell, reiterated the need for “greater confidence” on the path of inflation and pushed back against the idea of a rate cut in March. Golman Sachs has now pushed back its expectation for an interest rate cut from March to May but maintains that there will be five rate cuts in 2024.

In a widely expected decision, the Bank of England’s (BoE) monetary policy committee voted by a majority to keep interest rates at their current level of 5.25%. Whilst the BoE’s Governor, Andrew Bailey, admitted that inflation was moving in the right direction, he has cautioned that they need to “see more evidence that inflation is set to fall all the way to the 2% target” before considering rate cuts. Markets have responded to Bailey’s hawkish comments by pricing in four rate cuts before the end of the year.

Market Summary

Global Equities – Global equities made slight gains throughout the week as at Thursday’s close. In the lead up to the US Federal Reserve’s interest rate decision on Wednesday, markets lacked direction. In the US, the S&P 500 index had its worst day since September after the rate decision was announced, while small-cap stocks saw sharper declines. The “Magnificent 7” stocks which have played a major role in the global equity rally since October last year, saw their worst declines since the start of said rally. In Asia, Chinese equities fell to 5-year lows at the end of the week, pushed lower by a lack of much needed government stimulus. Equities in the UK and Europe remained relatively flat over the week.

Commodities – Commodity prices weakened in general over the week, led by oil price declines. Oil prices are set for weekly losses after reports that Israel and Hamas were negotiating a ceasefire. Gold gained versus the US dollar and remained near one-month highs after US weekly jobless claims rose last week.

Fixed Income – Global bonds provided positive returns for the week as at Thursday’s close. With investors still pricing in a number of interest rate cuts from key central banks in 2024, Treasury yields in the US declined, with the 10-year yield falling below 4%.

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Chart of the Week

Powell: March Cut Unlikely Markets quickly reverse rate cut bets for March meeting



Source: Bloomberg – Markets have reversed expectations of rate cuts in March

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- Australia trade balance	- Australia cash rate decision - Eurozone retail sales yy		- China CPI yy	- Germany CPI yy

Market Performance – 02/02/2024

Global Market Indices	2024 YTD %*
FTSE 100	-1.38%
S&P 500	2.95%
STOXX 600	1.11%
Nikkei 225	7.62%
Hang Seng	-8.69%
Fixed Income	Yield %
UK 10 Yr Gilt	3.80%
US 10 Yr Treasury	3.87%
Commodities	2024 YTD %
Gold	-0.39%
Currency	
GBP/USD	1.27 (02/02/2024)
GBP/EUR	1.17 (02/02/2024)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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