



»» Weekly Investment Update

10th May 2024

News Headlines

Bank of England Base Rate – The Bank of England has maintained its interest rate at a 16-year high of 5.25%, as concerns persist among policymakers regarding key inflation indicators. The bank's Monetary Policy Committee voted 7-2 to retain the current rates, with two members advocating for a 0.25% reduction. This marks a notable shift from the previous meeting, where only one member supported a decrease. Mirroring the recent stance of the U.S. Federal Reserve, which also maintained its rates, the majority of the committee members preferred to wait for further evidence that inflation is under control before considering a rate cut.

UK GDP Data – The UK experienced a strong rebound from a shallow recession, with GDP jumping by 0.6% in the first quarter compared to the previous three months, surpassing economists' expectations of a 0.4% expansion. This growth, the strongest since late 2021, was supported by increased consumer spending, improved transport due to fewer strikes, and unexpectedly strong business investment. The data marks a clear end to the mild recession; however, it may complicate the Bank of England's deliberations on when to adjust interest rates. Stronger growth could potentially feed inflationary pressures, which policymakers are still uncertain about containing.

Market Summary

Global Equities – Equities rallied globally throughout the week as at Thursday's close, with developed market equities outperforming their emerging market peers. Investor confidence that key central banks would still cut interest rates this year gave risk assets a boost, spurred by weekly initial jobless claims in the US coming in at their highest level in 8 months, and the Bank of England's governor Andrew Bailey stating that it was "likely that we will need to cut bank rates over the coming quarters". In the UK and Europe, a number of indices hit fresh record highs, meanwhile in the US, the S&P 500 hit a 5-week high and remains on track for a third consecutive weekly gain.

Commodities – Commodity prices rose. Oil prices (Brent Crude & WTI) are headed to post their first weekly gain in several weeks after China reported growth in exports and imports and talks around a ceasefire between Israel and Hamas broke down. Gold rose versus the US dollar as the US labour market data weighed on the dollar and US Treasury yields.

Fixed Income – The increased likelihood that the BoE will cut interest rates in June saw the shorter dated (2-year) gilt yields fall on Thursday, while in the US, the jobless data also saw short and long dated (10-year) Treasuries perform well.

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Chart of the Week

UK GDP Rebounding Gain beats estimate of +0.4% rise



Source: Bloomberg – UK gross domestic product data beat estimates in the first quarter of 2024, pulling the UK out of recession

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- US FOMC rate announcement	- Germany CPI yy - US PPI inflation yy	- US CPI yy		- EU inflation yy

Market Performance – 10/05/2024

Global Market Indices	2024 YTD %*
FTSE 100	10.05%
S&P 500	9.83%
STOXX 600	9.86%
Nikkei 225	14.62%
Hang Seng	9.64%
Fixed Income	Yield %
UK 10 Yr Gilt	4.13%
US 10 Yr Treasury	4.46%
Commodities	2024 YTD %
Gold	12.84%
Currency	
GBP/USD	1.25 (10/05/2024)
GBP/EUR	1.16 (10/05/2024)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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