



Weekly Investment Update

17th May 2024

News Headlines

US Inflation – In the US, the Consumer Price Index report for April suggests a potential slowdown in inflation compared to the elevated levels seen in February and March. According to the Bureau of Labor Statistics, the Consumer Price Index (CPI) in the US increased by 3.4% in April year on year, slightly down from the 3.5% increase in March. Core CPI, which excludes food and energy costs, rose by 3.6% over the past year, following a 3.8% rise in March. From March to April, the CPI rose by 0.3%, after a 0.4% rise the previous month. Core CPI also increased by 0.3%, down from 0.4% in March. Although the inflation data suggests that the picture may be improving, it is not yet fully on track for the FOMC's target of 2%.

Japan's Economy – Japan's economy contracted faster than expected in the first quarter of 2024 as the weaker yen continued to hurt consumers. The economy contracted by -2% on an annualised basis, faster than the -1.2% anticipated. The decline could create some hesitation for the Bank of Japan, which raised interest rates for the first time since 2007 in March and has signalled it intends to continue to tighten monetary policy going forward.

China's Economy – China's economy continues to see a lopsided post-covid recover. Consumer spending growth in the world's second largest economy unexpectedly slowed in April, while industrial production accelerated. The manufacturing sector has boosted the economy as the property crisis continues to weigh on domestic demand.

Market Summary

Global Equities – Global equities received a boost after inflation in the US came in softer than expected on Wednesday. The softer reading provided optimism around US Federal Reserve interest rate cuts being brought forward. Consequently, in the US, the S&P 500, NASDAQ, and Dow Jones indices all recorded new record highs. Equities in the UK and Europe were the laggards, but still provided positive returns for the week as at Thursday's close. Gains in the US led to gains in Asian equities despite underwhelming economic data releases within the region.

Commodities – Oil prices headed for a slim weekly gain. A weaker US dollar, decreasing inventories in the US, and increased stimulus in China spurred hopes of improved demand for the commodity. Gold prices were on track for a second consecutive week of gains due to improved interest rate cut expectations. This supported the price of silver, which hit a three-year high against the US dollar on Thursday.

Fixed Income – Bond yields fell, pushing prices higher, as investors brought forward expectations of interest rate cuts from key central banks after the cooler than expected inflation data out of the US.

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Address:
Frenkel House, 15 Carolina Way, Salford, Manchester, M50 2ZY



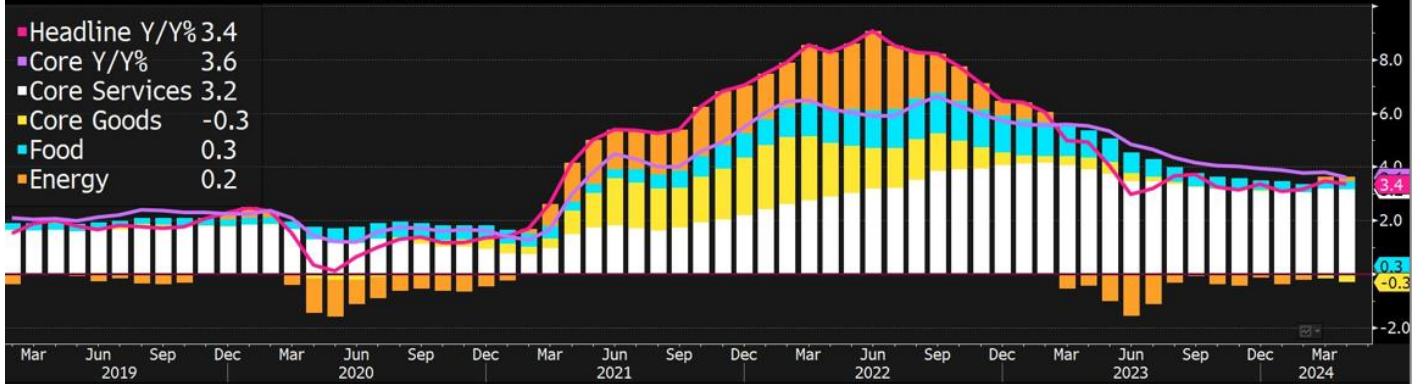
Enquiries:
0161 886 8000
enquiries@ascenciaim.co.uk



Web:
www.ascenciaim.co.uk

Chart of the Week

US Core Services Driving Inflation 3.2% of the 3.4% y/y rise from core services



Source: Bloomberg – Core services driving inflation in the US

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
-	-	- UK CPI yy	- US jobless claims	- Japan CPI - UK retail sales

Market Performance – 17/05/2024

Global Market Indices	2024 YTD %*
FTSE 100	11.07%
S&P 500	11.66%
STOXX 600	11.57%
Nikkei 225	17.19%
Hang Seng	14.66%
Fixed Income	Yield %
UK 10 Yr Gilt	4.08%
US 10 Yr Treasury	4.37%
Commodities	2024 YTD %
Gold	15.17%
Currency	
GBP/USD	1.27 (17/05/2024)
GBP/EUR	1.17 (17/05/2024)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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