



»» Weekly Investment Update

24th May 2024

News Headlines

UK Election – In a surprise move, UK Prime Minister Rishi Sunak announced a snap general election is to be held on the 4th July. This leaves only six weeks for parties to campaign and confirm their policies before voters go to the polls. The Conservative Party currently trail Labour by more than 20 points in opinion polls, but Sunak will be hopeful that recent positive economic news for the economy, including falling inflation and a return to growth, will close the gap in the polls. Labour leader Keir Starmer will counter the positive economic news, stating that if they win the election, they will inherit the worst economy since the second World War.

The election announcement was made in the same week that UK inflation fell to 2.3% year-on-year in April, back down towards the Bank of England's target of 2%, with the fall driven by lower energy costs. Economists, however, had expected a larger slowdown to 2.1%. In other economic news, UK retail sales slumped more than expected last month, declining by 2.3% following a fall of 0.2% in March as consumers were deterred by bad weather conditions.

The Bank of England has now cancelled all speeches by its policymakers for the duration of the upcoming election.

Market Summary

Global Equities – Global equities saw slight declines for the week as at Thursday's close. Strong economic data out of the US, including lower weekly jobless claims and positive service and manufacturing figures, along with policymaker's concerns of sticky inflation, suggested that there would be little urgency for the US Federal Reserve to cut interest rates in the US anytime soon. Odds of a rate cut in the US in September were slashed to 56% after the release of the data. The turn in sentiment saw indices in the US fall from all-time highs set at the start of the week. Both UK and European equities declined, mirroring the sentiment seen within the US, as inflation came in higher than expected in the UK. In Asia, the Hong Kong Hang Seng index suffered sharp declines as US-China trade tensions seemed to increase. Japanese equities also declined after inflation slowed for the second straight month in April.

Commodities – Oil prices (Brent Crude & WTI) headed for another weekly loss as investors remain wary over US interest rates remaining higher for longer. Rate expectations also put a dampener on gold prices, which were heading for their first weekly fall versus the US dollar in three weeks.

Fixed Income – As investors pushed back expectations of interest rate cuts, sovereign bond yields increased (prices declined) across the US, UK, and Europe.

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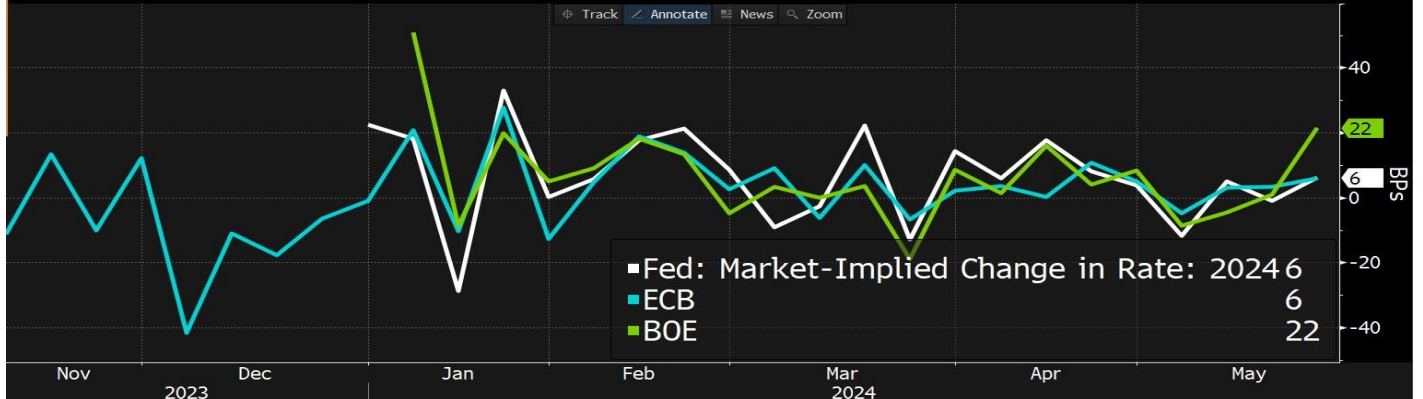
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Chart of the Week

BOE Cut Expectations Pulled Back Traders move below 50BPs of 2024 cuts after CPI



Source: Bloomberg – Interest rate cut expectations pulled back after inflation readings come in higher than expected

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
-	- US Consumer Confidence	-	-	- Japan unemployment rate - China manufacturing PMI

Market Performance – 24/05/2024

Global Market Indices	2024 YTD %*
FTSE 100	9.79%
S&P 500	11.07%
STOXX 600	11.35%
Nikkei 225	17.74%
Hang Seng	11.80%
Fixed Income	Yield %
UK 10 Yr Gilt	4.25%
US 10 Yr Treasury	4.47%
Commodities	2024 YTD %
Gold	12.98%
Currency	
GBP/USD	1.27 (24/05/2024)
GBP/EUR	1.17 (24/05/2024)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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