

# Weekly Investment Update

7<sup>th</sup> June 2024



## News Headlines

**Central Bank Interest Rate Decisions** – The European Central bank (ECB) has cut interest rates for the first time in five years, lowering its benchmark deposit rate by 0.25% down to 3.75%. The bank has taken the decisive leap to lower rates ahead of their US and UK counterparts as the bank's president Christine Lagarde said last month that she was confident that Eurozone inflation was under control after it closed in on the bank's 2% target. Elsewhere, similar interest rate cuts have already come into force by central banks in Canada, Brazil, Mexico, Chile, Switzerland and Sweden this year.

**Indian Election Results** – Indian election results, which took place at the start of the week, didn't go as polls had predicted. Prime Minister Narendra Modi and his Bharatiya Janata Party fell short of a much expected majority in India's lower house of parliament. The party now needs to form a coalition government to secure a third consecutive term for Modi, which may be tricky, as minor allies of the party are making big demands regarding policy changes.

**UK Election Debate** – Ahead of the UK election on the 4<sup>th</sup> July, Prime Minister Rishi Sunak and Labour Party leader Kier Starmer went head-to-head in their first televised debate on Tuesday. Issues discussed within the debate included immigration, healthcare, taxes, and education. The two party leaders stuck to their campaign lines, with Sunak stating that the Conservatives are the only party with a plan to spur the UK economy, while Starmer stuck to the message that the current government presided over 14 years of economic chaos. A snap YouGov poll after the debate showed the public believed that Sunak performed best out of the two, with a 51% to 49% win.

## Market Summary

**Global Equities** – After declines seen last week, global equity markets rallied, posting positive returns for the week as at Thursday's close. Stronger than expected economic data in the US as well as a renewed optimism around technology stocks saw the S&P 500 index hit fresh all-time highs on Wednesday, the 25<sup>th</sup> record high seen so far this year. The risk on sentiment was broad based, spreading globally. European equities hovered around record highs after the ECB announced interest rate cuts, while equities in the UK remained flat. In Asia, Indian equity markets saw a significant dip at the start of the week as investors priced in the potential outcome of the country's election, but the decline has reversed since to make a full recovery.

**Commodities** – Commodity prices generally ticked higher over the week as at Thursday's close. Gold rallied against the US dollar, hovering around a two-week high on Thursday, however, Friday saw prices decline as investors await the release of employment details out of the US. Oil prices (Brent Crude & WTI) were headed for weekly losses as investors await the outcome of an OPEC+ meeting over the weekend which could see supplies increased.

**Fixed Income** – Sovereign bonds rallied in Europe after the ECB chose to cut interest rates on Thursday. As investors priced in the potential for more interest rate cuts from key central banks, US Treasury yields declined, with the 10-year yield hitting its lowest level since March.

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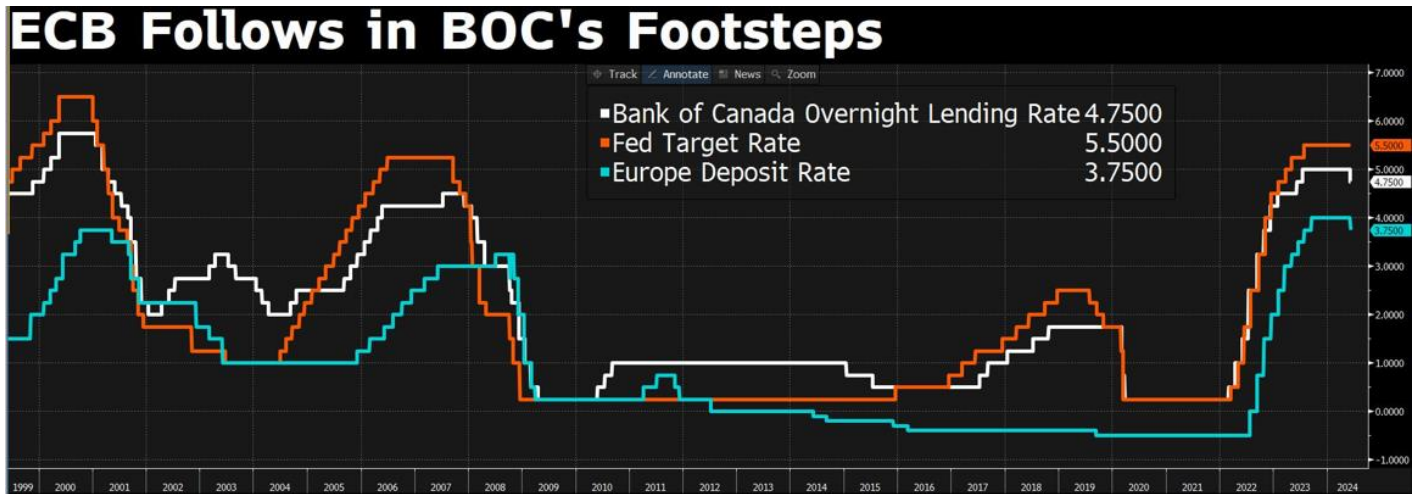


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## Chart of the Week



Source: Bloomberg – ECB follows the Bank of Canada's lead in cutting interest rates

## Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
-	-	- China CPI yy - Germany CPI yy - UK CPI yy - FOMC Rate Announcement	- US PPI Inflation yy	-

## Market Performance – 07/06/2024

Global Market Indices	2024 YTD %*
FTSE 100	9.29%
S&P 500	1291%
STOXX 600	12.24%
Nikkei 225	16.54%
Hang Seng	9.99%
Fixed Income	Yield %
UK 10 Yr Gilt	4.19%
US 10 Yr Treasury	4.29%
Commodities	2024 YTD %
Gold	15.33%
Currency	
GBP/USD	1.28 (07/06/2024)
GBP/EUR	1.17 (07/06/2024)

Source: FE Analytics/ Bloomberg

\*Total Return/Local currency

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