



Weekly Investment Update

12th July 2024

News Headlines

Jerome Powell Testimony – Federal Reserve Chair Jerome Powell testified before the Senate Banking Committee on Tuesday and the House Financial Services Committee on Wednesday as part of the bank's semi-annual monetary policy report. During his testimony, Powell discussed the bank's efforts to control inflation by maintaining high interest rates and highlighted the challenges ahead. Powell also addressed the possibility of future interest rate cuts, stating that any decision would depend on incoming economic data. He noted that the bank does not expect to reduce rates until there is greater confidence that inflation is moving sustainably towards the 2% target. Recent economic data, including a report showing an increase in unemployment to 4.1%, will be critical in guiding these decisions. Based on Powell's comments, it is likely that the FOMC (Federal Open Market Committee) will maintain the current federal funds rate at 5.25%-5.50% at their next meeting.

US CPI Inflation – Following Powell's testimony earlier in the week, the US Consumer Price Index (CPI) showed signs of cooling, according to data released by the Bureau of Labor Statistics on Thursday. The all-items index rose by 3.0% over the past 12 months, not seasonally adjusted, marking a decrease from the 3.3% annual increase noted in May. On a seasonally adjusted basis, the index saw a monthly decline of 0.1%. Core inflation, which excludes volatile food and energy prices, climbed 0.1% month on month, the lowest monthly increase since 2021. Similarly, Core CPI saw a 3.3% increase on an annual basis in June, also the lowest increase since 2021. One of the primary contributors to the cooling of inflation was the decrease in housing costs.

UK Economy – The Office for National Statistics reported on Thursday that the gross domestic product (GDP) in the UK increased by 0.4% in May compared to 0.2% in April. This growth was twice the 0.2% predicted by economists. These figures indicate that the UK is heading for another robust quarter of economic growth, continuing its recovery from the recession. The economy benefited from improved weather in May, which boosted activity in the retail and construction sectors, previously hindered by April's heavy rainfall.

Market Summary

Global Equities – Global equities provided positive weekly returns across all major indices as of Thursday's close, with the most notable gains coming from the Nikkei 225 index in Japan. In the US, the S&P 500 index posted a new record high on Wednesday, passing the 5,600 mark. However, the index retreated on Thursday following a sell-off in technology stocks, despite weak inflation data in the US and the market now predicting a rate cut in September. In Europe, both the FTSE 100 and the STOXX 600 indices saw gains for the second consecutive week.

Commodities – This week, gold prices saw significant gains on the back of cooling inflation data and the market now betting on a rate cut in September, with the price of the precious metal going above \$2,400 per ounce on Thursday. Oil prices fell this week on the back of four consecutive weekly gains.

Fixed Income – This week, global bonds saw a modest gain as of Thursday's close. US Treasury yields declined significantly (meaning prices rose) on the back of cooler inflation data, with investors now fully pricing in a rate cut in September. The US 2-year and 10-year yields fell to their lowest levels since March.

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Address:

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



Enquiries:

0161 886 8000
enquiries@ascenciaim.co.uk



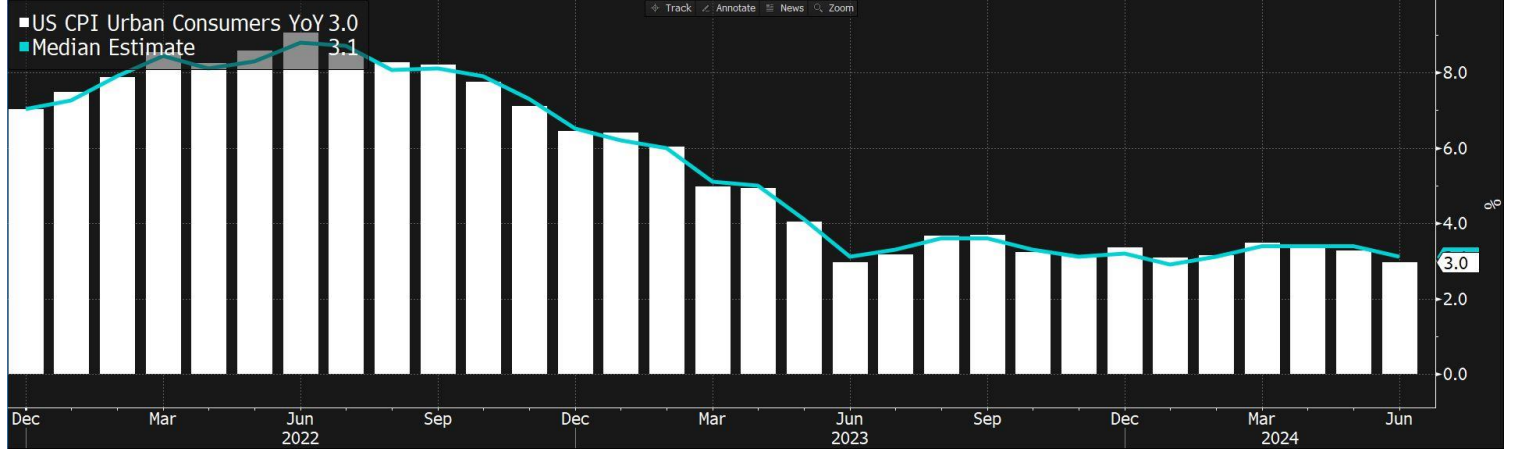
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Chart of the Week

US Consumer Price Index

Inflation softens to 3% in June, below est.



Source: Bloomberg – US Consumer Price Index – Inflation Softens to 3% in June

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- US Federal Reserve Chair Powell Speech	-	- UK CPI yy - Eurozone CPI yy	- ECB Rate Decision - US Initial Jobless Claims	-

Market Performance – 12/07/2024

Global Market Indices	2024 YTD %*
FTSE 100	8.65%
S&P 500	17.96%
STOXX 600	11.32%
Nikkei 225	27.26%
Hang Seng	8.01%
Fixed Income	Yield %
UK 10 Yr Gilt	4.10%
US 10 Yr Treasury	4.21%
Commodities	2024 YTD %
Gold	16.60%
Currency	
GBP/USD	1.29 (12/07/2024)
GBP/EUR	1.19 (12/07/2024)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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