

Weekly Economic Update

22 July 2022

FOR PROFESSIONAL ADVISERS ONLY



Mobius Life

UK

- The FTSE 100 closed the week at 7276, up 1.63%. The 10 year UK gilt yield moved from 2.09% to 1.94%.
- UK inflation hit a new 40-year high in June, intensifying the cost of living crisis and heaping pressure on the Bank of England to deliver an aggressive interest-rate increase next month. Last week the ONS reported that unemployment held constant at 3.8% in the UK, a decline of 1.1% over the last 12 months.
- Last week, the latest labour UK market statistics published that there were nearly 1.3mn job vacancies in the UK economy, evidencing a "strong" jobs market that is suffering a "recruitment crisis". The ramifications of job shortages are resulting in a potential drag on growth for businesses across the country, particularly within manufacturing, construction and SME's. With inflation sitting at 9.1% and potentially heading higher, the outlook for employers continues to darken as firms struggle to keep up with increased salary expectations. The surge in strike threats continue in the UK, with public sector workers in particular suffering a prolonged squeeze on their real wages. The wave of unrest is sitting amongst NHS consultants, midwives and teachers as strikes and industrial actions are set to escalate this summer.

GLOBAL

- Despite rising recession risks, major US stock indices have rallied solidly off their June lows. This market movement can be supported by a number of rallies, including signs of peaking inflation, a potential relief from rising yields and more pertinently, corporate earnings announcements. With corporate earnings announcements now over a fifth of the way through, the percentage of companies beating analysts expectations are smaller than usual. With all eyes on earnings this week for tech giants, Netflix, Snap and Twitter have indicated a mixed sentiment for earnings within the tech sector. This week will show a better indication of how the industry is faring as further earnings announcements are yet to be made.
- The latter part of last week showed a surge in prices of US government debt, consequently sending yields lower for the week. The European Central Bank raised interest rates by 50bps on Thursday, as part of its efforts to fight rising inflation by lifting rates for the first time since 2011. Nonetheless, Europe experienced a strong week for markets, shrugging off concerns over an economic slow-down. One of the key talking points in the US earning season is regarding the strength of the dollar, which has surged to its highest level against a basket of other currencies in 20 years, including briefly trading above parity with the Euro.

Equity Markets	Index Level 22 Jul 22	Total Return (Sterling)		
		Mtd	Ytd	1 Year
FTSE All Share	4028	2.3%	-2.4%	4.5%
FTSE 100	7276	1.6%	0.6%	8.4%
FTSE 250	19825	6.4%	-14.3%	-10.5%
MSCI World	2651	5.5%	-6.5%	1.6%
MSCI World EM	990	0.7%	-7.6%	-11.8%

Bond Markets	Yield 22 Jul 22	Index % Change (Sterling)		
		Mtd	Ytd	1 Year
FTA All Stock Gilt Index	2.28	1.9%	-12.5%	-14.2%
FTA All Stock ILG index	-0.76	0.0%	-22.0%	-20.9%
FTA Over 5 Year ILG index	-0.75	0.0%	-25.0%	-24.0%
FTA Under 5 Year FIG Index	1.78	0.4%	-1.8%	-2.8%
FTA Over 15 Year FIG Index	2.42	2.8%	-22.7%	-24.6%

Interest Rates & Yields	Yield 22 Jul 22	Yield 30 Jun 22	Yield 31 Dec 21	Yield 01 Jul 21
UK 10 Year Gilt Yield	1.94	2.23	0.97	0.57
UK 15 Year Gilt Yield	2.44	2.57	1.15	0.86
US 10 Year Treasury Yield	2.75	3.01	1.51	1.28
German 10 Year Yield	1.03	1.34	-0.18	-0.43
Spanish 10 Year Yield	2.26	2.42	0.57	0.29
Greek 10 Year Yield	3.23	3.61	1.32	0.66
Japan 10 Year Yield	0.22	0.23	0.07	0.01

Currencies Exchange Rate	22 Jul 22	30 Jun 22	31 Dec 21	01 Jul 21
GBP / USD	1.20	1.22	1.35	1.38
GBP / EURO	1.17	1.16	1.19	1.17
GBP / YEN	163.52	165.22	155.71	151.60

Commodities	Price Level 22 Jul 22	Price Level 30 Jun 22	Price Level 31 Dec 21	Price Level 01 Jul 21
Oil - WTI \$	94.70	105.76	75.21	71.91
Gold \$	1,727.64	1,807.27	1,829.20	1,806.92
Wheat \$	759.00	868.75	770.75	692.25

Source: Mobius Life, Bloomberg
Please Note: Past performance is not a guide to future performance

Index Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group").
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Date	Region	Event	Survey	Actual	Prior
21/07/2022	US	Initial Jobless Claims	240k	--	244k
21/07/2022	US	S&P Global France Manufacturing PMI	51	--	51.4
20/07/2022	UK	CPI YoY	9.30%	9.40%	9.10%
22/07/2022	US	New Home Sales	675k	--	696k
22/07/2022	US	S&P Global US Manufacturing PMI	52	--	52.7

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