

# Weekly Economic Update

29 July 2022

FOR PROFESSIONAL ADVISERS ONLY



Mobius Life

## UK

- The FTSE 100 closed the week at 7423, up 2.02%. The 10 year UK gilt yield moved from 1.94% to 1.86%.
- Last week, McDonalds raised prices of its 99p cheese-burger for the first time in 14 years as company cost pressures bite surrounding fuel, wages and food.
- Mortgage rates are rising across advanced economies, with the average rate of a newly drawn mortgage in the UK rising by 65bps since autumn last year, inducing additional headwinds for British households. Rising rates are projected to cool down the boom in the housing market, following record-low interest rates and fiscal measures to boost activity that resulted in the pandemic-induced boom.
- Last week, Tory leadership frontrunners clashed over their rival visions of the future of the UK economy, with the key battleground between the two concerning the topic of taxation. Truss' tax cutting plans came in boldly at £30bn, starting with reversing April's national insurance rise, temporarily scrapping green energy levies and abandoning the planned rise in corporate tax. Sunak has warned that Truss' tax plans could leave the UK in an inflationary state, with his aim to not cut taxes until inflation was under control. With environmental policies "plummeting down the priority agenda", both tory leadership hopefuls are under scrutiny for being far more reticent about their plans for tackling climate change – with both candidates being accused of ignoring the severity of the climate crisis.

## GLOBAL

- Despite another 75bps increase from the Fed, global stocks showed solid gains as they shrugged off a second quarter of economic contraction. Real US GDP fell by 0.9% in Q2, demonstrating its second straight quarter of economic decline which resembles a common definition of a recession. These weaknesses were broadly associated with a housing market tumble under rising interest rates and higher inflation impacting consumer spending as CPI reached 8.4% on the quarter. Inventories, which helped boost GDP in 2021, were a drag on growth in the second quarter as companies ran down their inventories.
- Last week, proved to be a busy week for earnings announcements, with 173 companies from the S&P 500 reporting. An interesting anomaly revealed that companies that reported earnings below their estimates actually traded higher than those exceeding consensus estimates. It appears that a forward guidance has been the focus for markets, as a result of higher inflationary pressures and a precarious state of economy.

Equity Markets	Index Level 29 Jul 22	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	4107	4.4%	-0.4%	4.9%
FTSE 100	7423	3.7%	2.7%	8.8%
FTSE 250	20165	8.3%	-12.7%	-10.4%
MSCI World	2746	8.0%	-4.3%	4.0%
MSCI World EM	994	-0.1%	-8.4%	-9.2%

Bond Markets	Yield 29 Jul 22	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	2.22	2.6%	-11.8%	-13.7%
FTA All Stock ILG index	-1.04	5.3%	-17.9%	-17.3%
FTA Over 5 Year ILG index	-1.02	6.0%	-20.5%	-20.0%
FTA Under 5 Year FIG Index	1.66	0.7%	-1.5%	-2.5%
FTA Over 15 Year FIG Index	2.37	3.9%	-21.9%	-24.0%

Interest Rates & Yields	Yield 29 Jul 22	Yield 30 Jun 22	Yield 31 Dec 21	Yield 29 Jul 21
	UK 10 Year Gilt Yield	1.86	2.23	0.97
UK 15 Year Gilt Yield	2.32	2.57	1.15	0.87
US 10 Year Treasury Yield	2.65	3.01	1.51	1.27
German 10 Year Yield	0.82	1.34	-0.18	-0.45
Spanish 10 Year Yield	1.92	2.42	0.57	0.27
Greek 10 Year Yield	2.95	3.61	1.32	0.60
Japan 10 Year Yield	0.18	0.23	0.07	0.02

Currencies Exchange Rate	29 Jul 22	30 Jun 22	31 Dec 21	29 Jul 21
GBP / USD	1.22	1.22	1.35	1.40
GBP / EURO	1.19	1.16	1.19	1.18
GBP / YEN	162.23	165.22	155.71	152.95

Commodities	Price Level 29 Jul 22	Price Level 30 Jun 22	Price Level 31 Dec 21	Price Level 29 Jul 21
	Oil - WTI \$	98.62	105.76	75.21
Gold \$	1,765.94	1,807.27	1,829.20	1,828.17
Wheat \$	807.75	868.75	770.75	705.25

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

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Date	Region	Event	Survey	Actual	Prior
04/08/2022	UK	Bank of England Bank Rate	1.75%	--	1.25%
01/08/2022	UK	S&P Global/CIPS UK Manufacturing PMI	52.2	52.1	52.2
04/08/2022	US	Initial Jobless Claims	260k	--	256k
05/08/2022	US	Change in Nonfarm Payrolls	250k	--	256k
01/08/2022	FR	S&P Global France Manufacturing PMI	49.6	49.5	46.6

Source: Bloomberg

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