

# Weekly Economic Update

04 July 2022

FOR PROFESSIONAL ADVISERS ONLY



## UK

- The FTSE 100 closed the week at 7169, down 0.55%. The 10 year UK gilt yield moved from 2.30% to 2.09%.
- Last week, tensions grew between the UK Government and Regulators over proposed changes to the insurance sector. The UK Government is pushing to reform the Solvency II regime originally introduced in 2016 when the UK was part of the EU. UK Prime Minister Boris Johnson is keen to agree the reforms as he believes they will unleash an "investment big bang" in UK infrastructure. Although the Prudential Regulation Authority who regulate UK insurers are happy to support increased investment in UK economy, they are determined to ensure the easing of the regulatory burden does not create undue risk to policyholders. One of the key proposed adjustments to the current rules is a 60-70% reduction in the capital buffer life insurers must hold.
- Last week, data released by the Bank of England showed UK mortgage rates rising at their fastest pace for 10 years for the 6 months to May. The data showed the average interest rate on newly drawn mortgages increasing by 13 basis points to 1.95%, which is a 46bps rise above the rate in November last year. With markets expecting the Bank of England to raise rates from their current levels of 1.25% to 3% by February next year many expect house price growth to fall over the next 2 years as a result. As higher rates are now being passed on by mortgage lenders UK households are facing a further squeeze on their disposable income.

## GLOBAL

- Corporate fundraising dropped in the first half of 2022 according to data released by Refinitiv. The data showed a 25% drop in global bond, loan and equity issuance compared with the first half of 2021. This drop in global corporate fund-raising highlights the uncertain global economic environment, with central banks aggressively tightening monetary policy to tackle inflation. Further pressure is also coming from global supply chain disruptions stemming from lockdowns in China and the war in Ukraine.
- Last week, Ryanair warned consumers of imminent rises in air fares over the next 5 years. Ryanair's warning comes as ticket prices have risen in Europe and the US due to increased passengers return and cuts in airline capacity because of staff shortages. Staff shortages have been a particular problem for UK airlines due to Brexit making it harder to recruit European workers. In addition to capacity issues airlines are also struggling with the higher fuel prices and environmental charges.

Equity Markets	Index Level 01 Jul 22	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3940	0.0%	-4.6%	0.4%
FTSE 100	7169	0.0%	-1.0%	4.4%
FTSE 250	18637	-0.2%	-19.5%	-15.7%
MSCI World	2560	1.6%	-9.9%	-1.5%
MSCI World EM	993	0.3%	-8.0%	-14.6%

Bond Markets	Yield 01 Jul 22	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	2.28	1.7%	-12.6%	-12.1%
FTA All Stock ILG index	-0.98	3.3%	-19.5%	-13.3%
FTA Over 5 Year ILG index	-0.96	3.7%	-22.2%	-15.8%
FTA Under 5 Year FIG Index	1.68	0.5%	-1.7%	-2.6%
FTA Over 15 Year FIG Index	2.41	2.9%	-22.6%	-20.5%

Interest Rates & Yields	Yield 01 Jul 22	Yield 30 Jun 22	Yield 31 Dec 21	Yield 01 Jul 21
UK 15 Year Gilt Yield	2.45	2.57	1.15	1.08
US 10 Year Treasury Yield	2.88	3.01	1.51	1.46
German 10 Year Yield	1.23	1.34	-0.18	-0.20
Spanish 10 Year Yield	2.27	2.42	0.57	0.40
Greek 10 Year Yield	3.49	3.61	1.32	0.83
Japan 10 Year Yield	0.22	0.23	0.07	0.04

Currencies Exchange Rate	01 Jul 22	30 Jun 22	31 Dec 21	01 Jul 21
GBP / EURO	1.16	1.16	1.19	1.16
GBP / YEN	162.94	165.22	155.71	153.59

Commodities	Price Level 01 Jul 22	Price Level 30 Jun 22	Price Level 31 Dec 21	Price Level 01 Jul 21
Gold \$	1,811.43	1,807.27	1,829.20	1,776.84
Wheat \$	831.25	868.75	770.75	658.50

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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# Weekly Economic Update

Upcoming Data Releases



Date	Region	Event	Survey	Actual	Prior
08/07/2022	JN	BoP Current Account Balance	¥172.0b	--	¥501.1b
11/07/2022	JN	Core Machine Orders MoM	--	--	10.80%
07/07/2022	US	Initial Jobless Claims	230k	--	231k
08/07/2022	US	Change in Nonfarm Payrolls	273k	--	390k

Source: Bloomberg

## Important Information

**The value of investments, and the income from them, may go down as well as up and investors may not get back the amount originally invested.** This document has been prepared by Mobius Life Limited for professional advisers only. Opinions expressed are those of Mobius Life Limited and are not investment research. Mobius Life Limited is unable to provide advice and can only provide information on its own products and services.

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