

# Weekly Economic Update

02 September 2022

FOR PROFESSIONAL ADVISERS ONLY



## UK

- The FTSE 100 closed the week at 7281, down 1.97%. The 10 year UK gilt yield moved from 2.60% to 2.92%.
- Following an intense five-week debate, Liz Truss has comfortably won the race to become UK prime minister, succeeding Johnson who quit on July 7th. The challenges the new UK prime minister will face on day one are vast: a falling sterling currency, high (and rising) inflation, an impending recession as well as the commitment to climate and green energy. Truss not only faces the daunting economics of the energy crisis but has also stepped in at a time of a severe labour force unrest for the country's public services – from the NHS to the transport network.
- With inflation at a 40-year high, household finances are being put under pressure as the cost-of-living crisis bites through rising energy and food prices. The new UK prime minister Liz Truss has spoken of her initial plans to freeze energy bills below current market rates, particularly for the most vulnerable households. Truss has also promised to reverse the recent increase in national insurance and to raise the personal allowance on income tax, which currently sits at £12,570. Furthermore Truss has reinforced her intentions to substantially increase public borrowing in order fund her promised tax cuts, with a less focus on wealth redistribution under her premiership.
- Last week showed the steepest monthly drop for the UK pound against the dollar since October 2016, as economic and political uncertainty took precedence following election campaigns in the country.

## GLOBAL

- Last week's Jackson Hole's economic symposium presented a clear message for markets, that is, the Fed will continue to raise rates until inflation drops in a significant way. This growing anticipation of further interest rate increases weighed on the prices of US government bonds, with the yield of the 10-year US treasury bond rising for the fifth week in a row. Major US indexes also registered their consecutive weekly decline, following the run of weaker market data. US Large-cap stocks also continued to outperform Small cap stocks, and the style tilt towards Value outperformed Growth stocks.
- A new layer of uncertainty has been induced for European energy markets as Russia weaponized energy supplies by announcing to indefinitely suspend natural gas flows through Nord Stream 1 pipeline on late Friday. In response to this the Euro tumbled to a fresh 20 year low, falling as much as 0.7% to \$0.988.

Equity Markets	Index Level 02 Sep 22	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3998	-0.1%	-2.2%	0.1%
FTSE 100	7281	0.0%	1.6%	5.4%
FTSE 250	18853	-1.0%	-18.1%	-20.2%
MSCI World	2605	0.1%	-3.9%	0.9%
MSCI World EM	972	-1.4%	-4.9%	-8.1%

Bond Markets	Yield 02 Sep 22	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	3.14	-1.3%	-19.6%	-21.1%
FTA All Stock ILG index	-0.41	-3.1%	-26.3%	-26.1%
FTA Over 5 Year ILG index	-0.38	-3.5%	-29.8%	-29.8%
FTA Under 5 Year FIG Index	2.92	-0.1%	-4.1%	-5.0%
FTA Over 15 Year FIG Index	3.23	-2.9%	-33.3%	-34.7%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	02 Sep 22	31 Aug 22	31 Dec 21	02 Sep 21
UK 10 Year Gilt Yield	2.92	2.80	0.97	0.68
UK 15 Year Gilt Yield	3.34	3.18	1.15	0.90
US 10 Year Treasury Yield	3.19	3.19	1.51	1.28
German 10 Year Yield	1.53	1.54	-0.18	-0.39
Spanish 10 Year Yield	2.71	2.74	0.57	0.31
Greek 10 Year Yield	4.18	4.09	1.32	0.74
Japan 10 Year Yield	0.24	0.22	0.07	0.03

Currencies Exchange Rate	02 Sep 22	31 Aug 22	31 Dec 21	02 Sep 21
	GBP / USD	1.15	1.16	1.35
GBP / EURO	1.16	1.16	1.19	1.17
GBP / YEN	161.60	161.24	155.71	152.17

Commodities	Price Level	Price Level	Price Level	Price Level
	02 Sep 22	31 Aug 22	31 Dec 21	02 Sep 21
Oil - WTI \$	90.77	98.62	75.21	63.69
Gold \$	1,747.06	1,765.94	1,829.20	1,780.38
Wheat \$	753.25	807.75	770.75	727.50

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
06/09/2022	GE	Factory Orders MoM	-0.70%	--	-0.40%
07/09/2022	US	MBA Mortgage Applications	--	--	-3.70%
08/09/2022	US	Initial Jobless Claims	240k	--	232k
09/09/2022	CH	PPI YoY	3.20%	--	4.20%
09/09/2022	FR	Industrial Production MoM	-0.50%	--	1.40%

Source: Bloomberg

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