

Weekly Economic Update

16 September 2022

FOR PROFESSIONAL ADVISERS ONLY



UK

- The FTSE 100 closed the week at 7237, down 0.87%. The 10 year UK gilt yield moved from 3.10% to 3.14%.
- Last week's surprise update showed inflation in the UK arriving at 9.9% in August, down slightly from July's figure of 10.1% which was driven mainly by falling fuel prices. This Friday will see the chancellor of Exchequer providing a follow up on his energy package, with a mini budget to confirm the backdrop to address the cost of living crisis in the UK. The new prime minister, Liz Truss, has also intended to use Friday's fiscal event to reverse the rise in National Insurance brought in by her predecessor Boris Johnson. Whilst these measures will aid people and businesses under strain, the challenge of managing public sector debt will continue. The Office of National Statistics has confirmed government borrowing was 11.8bn in August, 6.5bn more than the pandemic two years ago and reaching twice the forecast level for August.
- The UK pledges to protect domestic companies from soaring energy bills under an emergency government scheme that aims to avoid a wave of corporate collapses. In a similar way to the energy price guarantee for households, the energy relief scheme will see a cap on price per unit of electricity and gas for companies. Whilst the level of discount will factor in what companies are already paying, caps on bills are at £211 per MWh for electricity and £75 per MWh for gas – which is less than half the expected cost this winter whilst also removing green levies.
- Despite intense pressure on households from soaring inflation, unemployment rates in Britain fell to 3.6% in the 3 months to July to its lowest rate since 1974. Nonetheless, in real terms regular pay fell by 2.8%, marking the biggest annual fall in 20 years.

GLOBAL

- Last week saw the steepest weekly decline for US indices in 3 months, amid intensifying inflation fears that undercut investor confidence. US CPI rose 8.3% in the year through to August, dismantling investor beliefs that inflation has peaked with price pressures continuing to remain. Indicating a commitment to "higher for longer" policy approach by Central Bank officials, which involves larger rate rises that are expected to rise into 2023.
- The price of gold dropped to its lowest in over 2 year years on Friday, resulting from expectations of further significant interest rate rises. The spot gold price briefly fell to \$1.654 on Friday, 19% below its peak in March 2022.

Equity Markets	Index Level 16 Sep 22	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3977	-0.6%	-2.7%	1.6%
FTSE 100	7237	-0.5%	1.0%	6.8%
FTSE 250	18797	-1.2%	-18.3%	-18.4%
MSCI World	2569	-0.1%	-4.1%	1.5%
MSCI World EM	944	-3.0%	-6.5%	-7.6%

Bond Markets	Yield 16 Sep 22	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	3.35	-3.2%	-21.2%	-21.7%
FTA All Stock ILG index	-0.16	-6.6%	-28.9%	-29.4%
FTA Over 5 Year ILG index	-0.16	-7.3%	-32.6%	-33.1%
FTA Under 5 Year FIG Index	3.12	-0.4%	-4.4%	-5.1%
FTA Over 15 Year FIG Index	3.42	-6.2%	-35.5%	-35.8%

Interest Rates & Yields	Yield 16 Sep 22	Yield 31 Aug 22	Yield 31 Dec 21	Yield 02 Sep 21
	UK 10 Year Gilt Yield	3.14	2.80	0.97
UK 15 Year Gilt Yield	3.47	3.18	1.15	1.01
US 10 Year Treasury Yield	3.45	3.19	1.51	1.34
German 10 Year Yield	1.76	1.54	-0.18	-0.30
Spanish 10 Year Yield	2.91	2.74	0.57	0.34
Greek 10 Year Yield	4.26	4.09	1.32	0.79
Japan 10 Year Yield	0.25	0.22	0.07	0.04

Currencies Exchange Rate	16 Sep 22	31 Aug 22	31 Dec 21	02 Sep 21
	GBP / USD	1.14	1.16	1.35
GBP / EURO	1.14	1.16	1.19	1.17
GBP / YEN	163.01	161.24	155.71	151.25

Commodities	Price Level 16 Sep 22	Price Level 31 Aug 22	Price Level 31 Dec 21	Price Level 02 Sep 21
	Oil - WTI \$	85.11	89.55	75.21
Gold \$	1,675.06	1,711.04	1,829.20	1,753.77
Wheat \$	859.75	809.00	770.75	713.00

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
21/09/2022	US	FOMC Rate Decision (Upper Bound)	3.25%	--	2.50%
22/09/2022	UK	Bank of England Rate	2.25%	--	1.75%
22/09/2022	US	Initial Jobless Claims	217k	--	213k
23/09/2022	GE	Manufacturing PMI	48.3	--	49.1
27/09/2022	US	New Home Sales	500k	--	511k

Source: Bloomberg

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