

Weekly Economic Update

21 October 2022

FOR PROFESSIONAL ADVISERS ONLY



UK

- The FTSE 100 closed the week at 6970, up 1.62%. The 10 year UK gilt yield moved from 4.34% to 4.05%.
- After just 6 weeks as the UK's Prime Minister Liz Truss announced her resignation on Thursday, marking her as the shortest serving occupant of Downing Street. Chancellor of Exchequer, Jeremy Hunt, has delayed his new budget, which will now be delivered on November 17th with a focus on plugging the £40 billion hole in public finances caused by the tax pledges and fiscal excesses delivered by Truss. The markets welcomed the appointment of Rishi Sunak, former Chancellor as the country's new prime minister. Gilt yields fell and the pound rallied as the markets expect more economic stability from the new regime at least in the short-term. This pushed government borrowing costs back down close to levels seen prior to the mini budget.
- This surge in food prices reignited the acceleration in UK inflation last month, with inflation rising 10.1% year on year and matching July's 40 year high. According to data from the Office for National Statistics, the price of pasta has accelerated by 60% as well as the price of cooking oil jumping up 65% by an annual rate to September. Core inflation also rose, hitting its 30-year high of 6.5%.
- UK investors and businesses that earn income or dividends abroad have shown to benefit from the weaker sterling currency as the dollar appreciates, in turn inflating figures. This sterling weakness has resulted in increasing the sterling value of pay-outs, with income streams now worth more than what they were last year.

GLOBAL

- Last week the major US Indexes started and ended, with considerable rallies, rebounding from lows of previous weeks as investors focused on quarterly earnings. According to FactSet, 72% of S&P 500 companies have reported third quarter earnings that exceeded expectations, beating EPS estimates by 2.3% on average. It also appeared that at the sector level, 3 sectors reported a year-on-year increase in net profit margin, that being led by the Energy sector. Nonetheless, 8 sectors reported a year-on-year decrease in earnings, as led by Financials.
- The weak housing market in the US was a key focus last week as declines in mortgage applications took precedence, with Freddie Mac reporting the average 30-year mortgage rate more than double than last year and now sitting at 6.94%. Investors are peering ahead for the release of Thursday's news to find out the US government estimate of the third quarter's GDP, following two succeeding periods of economic contraction.

Equity Markets	Index Level 21 Oct 22	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3797	1.0%	-7.0%	-4.1%
FTSE 100	6970	1.2%	-2.5%	0.6%
FTSE 250	17207	0.4%	-25.0%	-22.9%
MSCI World	2462	2.4%	-6.8%	-2.3%
MSCI World EM	865	-2.3%	-13.2%	-15.3%

Bond Markets	Yield 21 Oct 22	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	4.05	-1.1%	-25.9%	-23.3%
FTA All Stock ILG index	0.31	-6.5%	-33.9%	-33.7%
FTA Over 5 Year ILG index	0.32	-7.8%	-38.2%	-38.0%
FTA Under 5 Year FIG Index	3.89	1.3%	-5.8%	-5.5%
FTA Over 15 Year FIG Index	4.04	-4.9%	-41.9%	-37.9%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	21 Oct 22	31 Aug 22	31 Dec 21	21 Oct 21
UK 10 Year Gilt Yield	4.05	4.09	0.97	1.20
UK 15 Year Gilt Yield	4.31	4.21	1.15	1.39
US 10 Year Treasury Yield	4.22	3.83	1.51	1.70
German 10 Year Yield	2.42	2.11	-0.18	-0.10
Spanish 10 Year Yield	3.53	3.29	0.57	0.52
Greek 10 Year Yield	5.04	4.84	1.32	1.01
Japan 10 Year Yield	0.25	0.24	0.07	0.09

Currencies Exchange Rate	21 Oct 22	31 Aug 22	31 Dec 21	21 Oct 21
	GBP / USD	1.13	1.11	1.35
GBP / EURO	1.14	1.14	1.19	1.19
GBP / YEN	165.78	161.07	155.71	156.87

Commodities	Price Level	Price Level	Price Level	Price Level
	21 Oct 22	31 Aug 22	31 Dec 21	21 Oct 21
Oil - WTI \$	85.05	79.49	75.21	82.50
Gold \$	1,657.69	1,660.61	1,829.20	1,782.90
Wheat \$	850.75	921.50	770.75	741.25

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
24/10/2022	CH	GDP YoY	3.30%	3.90%	0.40%
24/10/2022	FR	S&P Global France Manufacturing PMI	47	47.4	47.7
27/10/2022	IT	Manufacturing Confidence	100	--	101.3
27/10/2022	US	GDP Annualized QoQ	2.30%	--	-0.60%
27/10/2022	US	Initial Job Claims	220k	--	214k
28/10/2022	FR	CPI YoY	5.80%	--	5.60%
28/10/2022	SP	CPI YoY	8.00%	--	8.90%

Source: Bloomberg

Important Information

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