

Weekly Economic Update

14 October 2022

FOR PROFESSIONAL ADVISERS ONLY



UK

- The FTSE 100 closed the week at 6859, down 1.89%. The 10 year UK gilt yield moved from 4.24% to 4.34%.
- Market uncertainty and financial difficulties have continued for UK households this week, following the aftermath of the mini budget that unleashed chaos on the UK economy. A historic sell off in gilts that induced a crisis for pension funds, rising mortgage rates, as well as the tumbling pound has given rise to a severe economic chaos. Liz Truss removed Kwasi Kwarteng as chancellor of the exchequer, just 38 days after his appointment and appointed Jeremy Hunt in the hopes to calm the market. Despite this news the pressure on mortgage rates have not eased as rates have now peaked at levels not seen since the 2008 financial crisis, with the average five-year fixed rate mortgage at 6.36%.
- Confidence among small British businesses has also dropped to lowest levels since the height of the pandemic as rising costs and squeezed margin have led to fears of the economy heading. The U-turn on tax cuts established by the new chancellor could further exacerbate this issue as borrowing costs continue to rise as his budget is due to include big tax rises with the overriding aim of keeping the UK's deficit under control. Hunt's new budget aims to reverse almost all of the tax cuts announced by his predecessor's mini budget as well as pulling back support in regard to energy bills.

GLOBAL

- Last week's higher than expected US CPI Inflation report sent US indices to their lowest levels since November 2020, as well as marking its largest intraday move since 25 March 2020. Core US CPI, rose 6.6% year on year in September, faster than August's 6.3% and its fastest pace in four decades. The hopes that the Fed might start slowing down the pace of interest rate hikes has taken a backseat as CPI remains elevated, indicating that the Fed will continue in their aggressive tightening mode. Earnings season kicked off last week with 15 of the S&P 500 companies reporting earnings, as well 66 companies due to report this week as investors monitor financial statements for signs of strain amid higher borrowing costs.
- Last week the International Monetary Fund (IMF) predicted a tough 2023 as it scales back on its global economic growth projections, demonstrating a downward revision for the new year from 6% to 2.7% growth. Warning of a potential recession in many countries, the IMF has warned that more than a third of the global economy will contract this year or next.

Equity Markets	Index Level 14 Oct 22	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3741	-0.5%	-8.4%	-5.7%
FTSE 100	6859	-0.5%	-4.1%	-1.3%
FTSE 250	17033	-0.6%	-25.8%	-23.5%
MSCI World	2377	-0.3%	-9.2%	-3.6%
MSCI World EM	863	-1.7%	-12.6%	-13.7%

Bond Markets	Yield 14 Oct 22	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	4.58	-5.7%	-29.4%	-28.2%
FTA All Stock ILG index	1.32	-20.7%	-44.0%	-44.2%
FTA Over 5 Year ILG index	1.35	-24.2%	-49.2%	-49.4%
FTA Under 5 Year FIG Index	4.07	0.8%	-6.2%	-6.4%
FTA Over 15 Year FIG Index	4.74	-15.6%	-48.4%	-46.6%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	14 Oct 22	31 Aug 22	31 Dec 21	14 Oct 21
UK 10 Year Gilt Yield	4.34	4.09	0.97	1.04
UK 15 Year Gilt Yield	4.74	4.21	1.15	1.22
US 10 Year Treasury Yield	4.02	3.83	1.51	1.51
German 10 Year Yield	2.35	2.11	-0.18	-0.19
Spanish 10 Year Yield	3.52	3.29	0.57	0.44
Greek 10 Year Yield	4.92	4.84	1.32	0.89
Japan 10 Year Yield	0.25	0.24	0.07	0.08

Currencies Exchange Rate	14 Oct 22	30 Sep 22	31 Dec 21	14 Oct 21
	GBP / USD	1.12	1.11	1.35
GBP / EURO	1.15	1.14	1.19	1.18
GBP / YEN	166.06	161.07	155.71	155.52

Commodities	Price Level	Price Level	Price Level	Price Level
	14 Oct 22	30 Sep 22	31 Dec 21	14 Oct 21
Oil - WTI \$	85.61	79.49	75.21	81.31
Gold \$	1,644.47	1,660.61	1,829.20	1,795.87
Wheat \$	859.75	921.50	770.75	724.75

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
17/10/2022	JN	Industrial Production MoM	--	3.40%	2.70%
18/10/2022	CH	GDP YoY	3.30%	--	0.40%
18/10/2022	US	Industrial Production MoM	0.10%	--	-0.20%
19/10/2022	UK	CPI MoM	0.40%	--	0.50%
19/10/2022	UK	CPI YoY	10.00%	--	9.90%
19/10/2022	US	MBA Mortgage Applications	--	--	-2.00%
20/10/2022	US	Initial Jobless Claims	232k	--	228k

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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