

Weekly Economic Update

19 May 2023

FOR PROFESSIONAL ADVISERS ONLY



UK

- The FTSE 100 closed the week at 7757 up 0.02%. The 10 year UK gilt yield moved from 3.78% to 4.00%.
- ONS data released last week showed growth in employees' regular pay in the UK (excluding bonuses) at 6.7% in the three months to March (excluding bonuses). However, it is also worth noting that the ONS reported at the start of this year that 1.4 million households in the UK will be renewing their fixed mortgages this year. This is 57% of all UK fixed rate mortgages, these mortgages were fixed at rates below 2%.
- Gilt yields rose to the highest level seen since autumn 2022. This came as the Deputy Governor for the Bank of England (Dave Ramsden) mentioned that the bank is likely to speed up the rate at which it sells its government bonds. Although the gilt market hasn't been hit with the same levels of forced selling as during the "mini budget" episode, there is a large supply of gilts still to come onto the market through the Central Bank's quantitative tightening programme.

GLOBAL

- Japan's economy expanded by 1.6% on an annualised basis last quarter, much more than the predicted 0.75% level. This ended a recession in Japan and the stock market rose to a 33-year high (the Topix).
- New analysis from Société Générale argues that without the buzz around AI, the S&P 500 would be down 2% this year, rather than up 8%. Goldman Sachs research has said that AI can boost net profit margins by nearly 400 basis points over a decade. They base this research on the historical relationship between productivity growth and corporate profitability.
- ETF's and mutual funds investing in the technology sector saw inflows of \$3.786 billion last week, according to Scott Rubner from Goldman Sachs. This is the largest inflow technology funds have seen since December 2021.
- Over 140 high-ranking executives from major US corporations have called on an agreement to be reached that would allow the debt ceiling to be raised. President Joe Biden expressed his belief that a mutually beneficial agreement can be achieved, thereby preventing a potential default by the United States that could have significant repercussions on global markets.
- Elections in Turkey saw current president Recep Tayyip Erdoğan and rival Kemal Kılıçdaroğlu both fail to achieve a majority. This has now pushed the country to a runoff election on the 28 May.

Equity Markets	Index Level 19 May 23	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	4228	-0.9%	5.6%	8.6%
FTSE 100	7757	-1.0%	6.0%	10.3%
FTSE 250	19289	-0.5%	3.6%	1.0%
MSCI World	2843	1.4%	7.1%	9.9%
MSCI World EM	977	1.0%	0.0%	-0.1%

Bond Markets	Yield 19 May 23	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	4.22	-2.4%	-2.1%	-17.3%
FTA All Stock ILG index	0.92	-5.3%	-5.0%	-27.1%
FTA Over 5 Year ILG index	0.92	-6.2%	-6.1%	-31.2%
FTA Under 5 Year FIG Index	4.04	-0.2%	0.3%	-2.7%
FTA Over 15 Year FIG Index	4.34	-5.2%	-5.9%	-31.9%

Interest Rates & Yields	Yield 19 May 23	Yield 30 Apr 23	Yield 31 Dec 22	Yield 19 May 22
UK 10 Year Gilt Yield	4.00	3.72	3.67	1.87
UK 15 Year Gilt Yield	4.29	3.99	3.99	2.12
US 10 Year Treasury Yield	3.67	3.42	3.87	2.84
German 10 Year Yield	2.43	2.31	2.57	0.95
Spanish 10 Year Yield	3.48	3.36	3.66	2.04
Greek 10 Year Yield	4.00	4.16	4.57	3.53
Japan 10 Year Yield	0.40	0.39	0.41	0.24

Currencies Exchange Rate	19 May 23	30 Apr 23	31 Dec 22	19 May 22
GBP / USD	1.25	1.26	1.21	1.25
GBP / EURO	1.15	1.14	1.13	1.18
GBP / YEN	171.77	170.97	158.48	159.48

Commodities	Price Level 19 May 23	Price Level 30 Apr 23	Price Level 31 Dec 22	Price Level 19 May 22
Oil - WTI \$	71.55	76.78	80.26	112.21
Gold \$	1,977.81	1,990.00	1,824.02	1,841.85
Wheat \$	605.00	619.75	792.00	1,200.50

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
23/05/2023	UK	S&P Global/CIPS UK Manufacturing PMI	48	46.9	47.8
24/05/2023	UK	CPI YoY	8.20%	--	10.10%
24/05/2023	UK	CPI MoM	0.70%	--	0.80%
24/05/2023	UK	CPI Core YoY	6.20%	--	6.20%
28/05/2023	UK	Nationwide House PX MoM	--	--	0.50%
23/05/2023	GE	HCOB Germany Manufacturing PMI	45	42.9	44.5
24/05/2023	GE	IFO Business Climate	93	--	93.6
23/05/2023	FR	HCOB France Manufacturing PMI	46	46.1	45.6
23/05/2023	FR	HCOB France Services PMI	54	52.8	54.6
26/05/2023	IT	Manufacturing Confidence	102.5	--	103
23/05/2023	JN	Jibun Bank Japan PMI Mfg	--	50.8	49.5
26/05/2023	JN	Tokyo CPI Ex-Fresh Food YoY	3.40%	--	3.50%
23/05/2023	US	S&P Global US Manufacturing PMI	50	48.5	50.2
23/05/2023	US	New Home Sales	665k	683k	683k
24/05/2023	US	MBA Mortgage Applications	--	--	5.70%
25/05/2023	US	Initial Jobless Claims	245k	--	245k
25/05/2023	US	GDP Annualized QoQ	1.10%	--	1.10%
26/05/2023	US	U. of Mich. Sentiment	58	--	57.7
26/05/2023	US	Durable Goods Orders	-1.00%	--	3.20%

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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