

# Weekly Economic Update

7 August 2023

FOR PROFESSIONAL ADVISERS ONLY



Mobius Life

## UK

- The FTSE 100 closed the week at 7564 down 1.69%. The 10 year UK gilt yield moved from 4.33% to 4.38%.
- The Bank of England raised interest rates by 0.25% on Thursday taking rates to 5.25%, their highest level since 2008. The market now expects rates to peak slightly below 5.75%, suggesting that two more quarter point rises are on their way.
- The UK government announced plans for hundreds of new North Sea oil and gas licenses amid criticisms that the policy will hamper efforts to reach its net zero targets by 2050.

## GLOBAL

- Last week, Fitch Ratings lowered the credit rating on US Treasuries by one notch, shifting it from AAA to AA+. Despite this, the market reaction remained relatively subdued. This cut follows the political confrontation that nearly pushed the economy into a sovereign default. This move comes more than a decade after S&P Global Ratings downgraded the sovereign. Meanwhile, Moody's has opted to maintain its AAA rating for the US Treasury.
- Treasuries have continued to perform poorly as a stock hedge. Last week the one-month correlation between the Bloomberg US Treasury Total Return Index and the S&P 500 rose to 0.82, meaning stocks and bonds are moving almost in sync. In contrast, between 2000 and 2021, the correlation between these assets averaged around -0.3. This change in relationship makes it harder for investors to achieve diversification in their portfolios.
- According to JPMorgan, long-short hedge funds are significantly cutting positions on both sides of their book this week, known as de-grossing. This effectively means that they are cutting down on their short and long positions and taking less market risk. Morgan Stanley clients also cut risk; last week's de-grossing was 2023's largest. Goldman Sachs trimmed positions in 12 of 14 recent sessions. However, the cost of a put option on the S&P 500 (conveying the right to sell the S&P 500 at 5% below its current level), has fallen to its lowest level since 2008. These positions are often used as a form of insurance against stock price declines.
- Amazon surpassed earnings estimates, driven by strong retail results; its stock surged over 9%. Apple, however, dropped 3% due to mixed earnings – its service business grew, but iPhone sales fell short.
- It was reported that in Q2 this year Uber have finally reported their first operating profits. This comes after years of heavy project spending.

Equity Markets	Index Level 4 Aug 23	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	4129	-1.5%	3.7%	4.1%
FTSE 100	7564	-1.6%	4.0%	5.5%
FTSE 250	18935	-1.0%	2.4%	-3.0%
MSCI World	2987	-1.9%	10.1%	5.1%
MSCI World EM	1018	-2.1%	2.9%	0.5%

Bond Markets	Yield 4 Aug 23	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	4.51	-0.8%	-3.5%	-17.4%
FTA All Stock ILG index	1.02	-0.9%	-4.0%	-23.8%
FTA Over 5 Year ILG index	1.00	-1.1%	-5.0%	-27.5%
FTA Under 5 Year FIG Index	4.73	0.2%	-0.2%	-3.0%
FTA Over 15 Year FIG Index	4.52	-2.1%	-7.8%	-31.0%

Interest Rates & Yields	Yield 4 Aug 23	Yield 31 Jul 23	Yield 31 Dec 22	Yield 4 Aug 22
UK 15 Year Gilt Yield	4.61	4.50	3.99	2.26
US 10 Year Treasury Yield	4.03	3.96	3.87	2.69
German 10 Year Yield	2.56	2.49	2.57	0.80
Spanish 10 Year Yield	3.59	3.52	3.66	1.90
Greek 10 Year Yield	3.77	3.75	4.57	2.95
Japan 10 Year Yield	0.64	0.60	0.41	0.17

Currencies Exchange Rate	4 Aug 23	31 Jul 23	31 Dec 22	4 Aug 22
GBP / EURO	1.16	1.17	1.13	1.19
GBP / YEN	181.30	182.75	158.48	161.65

Commodities	Price Level 4 Aug 23	Price Level 31 Jul 23	Price Level 31 Dec 22	Price Level 4 Aug 22
Gold \$	1,942.91	1,965.09	1,824.02	1,791.28
Wheat \$	633.00	665.75	792.00	782.50

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
11/08/2023	UK	GDP QoQ	0.00%	--	0.10%
11/08/2023	UK	GDP YoY	0.20%	--	0.20%
11/08/2023	UK	Industrial Production MoM	0.20%	--	-0.60%
08/08/2023	GE	CPI YoY	6.20%	--	6.20%
08/08/2023	GE	CPI MoM	0.30%	--	0.30%
11/08/2023	FR	CPI YoY	4.30%	--	4.30%
10/08/2023	IT	CPI EU Harmonized YoY	6.40%	--	6.40%
11/08/2023	SP	CPI YoY	2.30%	--	2.30%
11/08/2023	SP	CPI EU Harmonised YoY	2.10%	--	2.10%
09/08/2023	US	MBA Mortgage Applications	--	--	-3.00%
10/08/2023	US	Initial Jobless Claims	230k	--	227k
10/08/2023	US	CPI MoM	0.20%	--	0.20%
10/08/2023	US	CPI YoY	3.30%	--	3.00%
11/08/2023	US	U. of Mich. Sentiment	71.3	--	71.6
08/08/2023	JN	PPI YoY	3.50%	--	4.10%
08/08/2023	JN	BoP Current Account Balance	¥1500.0b	--	¥1862.4b
09/08/2023	CH	CPI YoY	-0.40%	--	0.00%
09/08/2023	CH	PPI YoY	-4.00%	--	-5.40%

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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