

Weekly Economic Update

21 August 2023

FOR PROFESSIONAL ADVISERS ONLY



Mobius Life

UK

- The FTSE 100 closed the week at 7262 down 3.48%. The 10 year UK gilt yield moved from 4.53% to 4.68%.
- UK inflation came in at 6.8% in July, higher than the 6.7% rate expected by economists but a notable decrease from June's 7.9% pace. Core inflation held steady at 6.9% in July, rather than decreasing as economists had expected. Traders are now betting that the Bank of England will raise rates by another 75 basis points to 6% in March.
- UK wages also outpaced predictions, up 7.8% in the 12 months to June and the highest reading since records began in 2001. Economists forecasted a 7.4% rate of growth.
- In the UK, rental costs surged by the biggest yearly margin since January 2016 according to ONS records. Nationwide, there was a 5.3% rise in the year to July, with London experiencing a 5.5% surge (the highest in the region since 2006).
- Calastone's global funds network data reveals that UK retail investors have pulled billions from domestically focused funds since 2015, while directing £50 billion into worldwide equity funds. This trend has increased at some rate since 2021, global funds have seen an inflow of £19 billion during this time, whilst UK regional based strategies have seen withdrawals of £21 billion.

GLOBAL

- In a move that was a surprise to markets, the People's Bank of China cut the rate on its one-year medium term facility by 15 basis points to 2.50%.
- Youth unemployment has hit the highest level on record in China at 21%, but Chinese authorities have announced that they will be "temporarily" halting the publishing of these figures.
- China's property market continues to struggle. Country Garden, (a large Chinese property developer) suspended trading on several onshore bonds, this came after the company missed payment on two dollar-denominated bonds in the week previous. China Evergrande, the developer that defaulted in 2021, filed for bankruptcy protection in New York.
- In Q2, Japan's GDP expanded by an annualized 6%, surpassing economists' predictions of a 2.9% growth rate, more than doubling expectations.
- Analysis by the US Treasury revealed that the Inflation Reduction Act has predominantly created employment opportunities in regions with lower educational attainment and higher unemployment rates.

Equity Markets	Index Level 18 Aug 23	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3962	-5.1%	0.0%	-1.3%
FTSE 100	7262	-5.0%	0.3%	0.0%
FTSE 250	18097	-5.2%	-1.9%	-7.2%
MSCI World	2898	-4.5%	7.3%	-1.8%
MSCI World EM	964	-6.9%	-2.1%	-7.7%

Bond Markets	Yield 18 Aug 23	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	4.81	-3.1%	-5.7%	-16.2%
FTA All Stock ILG index	1.26	-5.1%	-8.0%	-24.7%
FTA Over 5 Year ILG index	1.25	-6.3%	-10.0%	-28.7%
FTA Under 5 Year FIG Index	5.03	-0.3%	-0.6%	-2.4%
FTA Over 15 Year FIG Index	4.82	-6.6%	-12.0%	-29.9%

Interest Rates & Yields	Yield 18 Aug 23	Yield 31 Jul 23	Yield 31 Dec 22	Yield 18 Aug 22
UK 10 Year Gilt Yield	4.68	4.31	3.67	2.31
UK 15 Year Gilt Yield	4.89	4.50	3.99	2.66
US 10 Year Treasury Yield	4.25	3.96	3.87	2.88
German 10 Year Yield	2.62	2.49	2.57	1.10
Spanish 10 Year Yield	3.68	3.52	3.66	2.25
Greek 10 Year Yield	3.92	3.75	4.57	3.54
Japan 10 Year Yield	0.63	0.60	0.41	0.20

Currencies Exchange Rate	18 Aug 23	31 Jul 23	31 Dec 22	18 Aug 22
GBP / USD	1.27	1.29	1.21	1.19
GBP / EURO	1.17	1.17	1.13	1.18
GBP / YEN	184.89	182.75	158.48	161.92

Commodities	Price Level 18 Aug 23	Price Level 31 Jul 23	Price Level 31 Dec 22	Price Level 18 Aug 22
Oil - WTI \$	81.25	81.80	80.26	90.50
Gold \$	1,889.31	1,965.09	1,824.02	1,758.61
Wheat \$	613.25	665.75	792.00	731.50

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
23/08/2023	UK	S&P Global/CIPS UK Manufacturing PMI	45	--	45.3
23/08/2023	GE	HCOB Germany Manufacturing PMI	38.8	--	38.8
25/08/2023	GE	IFO Business Climate	86.8	--	87.3
23/08/2023	FR	HCOB France Manufacturing PMI	45	--	45.1
23/08/2023	FR	HCOB France Services PMI	47.5	--	47.1
23/08/2023	JN	Jibun Bank Japan PMI Mfg	--	--	49.6
25/08/2023	JN	Tokyo CPI Ex-Fresh Food YoY	2.90%	--	3.00%
23/08/2023	US	MBA Mortgage Applications	--	--	-0.80%
23/08/2023	US	S&P Global US Manufacturing PMI	49	--	49
24/08/2023	US	Initial Jobless Claims	240k	--	239k
24/08/2023	US	Durable Goods Orders	-4.00%	--	4.60%
25/08/2023	US	U. of Mich. Sentiment	71.2	--	71.2

Source: Bloomberg

Important Information

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