

Weekly Economic Update

27 December 2023

FOR PROFESSIONAL ADVISERS ONLY



UK

- The FTSE 100 closed the week at 7697 up 1.60%. The 10 year UK gilt yield moved from 3.69% to 3.53%.
- In the UK inflation came in much lower than expected at 3.9% in November. This marked a notable deceleration from October's 4.6% figure and was well below economists anticipated rate of 4.4%. Additionally, core inflation was lower than predicted, recording a decrease from 5.7% to 5.1%. The announcement prompted a rally in FTSE 100 stocks, and bond yields experienced a decline.
- The UK has entered into a financial services agreement with Switzerland, formally acknowledging each other's regulatory frameworks. This agreement is purported to streamline business transactions between the two countries.
- The Scottish government is implementing a new 45% income tax rate, effective from April 2024. This rate will be applicable to individuals earning between £75,000 and £125,140. Additionally, those with earnings exceeding £125,140 will see a 1% increase in their tax rate, bringing it to 48%.

GLOBAL

- Economic data in the United States indicated overall strength. Durable goods orders experienced a significant uptick of 54% in November, primarily driven by an 80% surge in non-defence aircraft orders. Additionally, real personal spending saw a 0.3% increase.
- The Bank of Japan maintained its central bank policy rate at -0.1%, distinguishing itself as the sole major central bank retaining negative rates. There is apprehension that an increase in rates could result in a more robust Yen, lowering import expenses and possibly triggering a deflationary downturn.
- Banks in Latin America were dynamic in the past week. In the region, interest rate reductions have already been implemented, and the recent week was consistent with this trend. Chilean policymakers executed a reduction of 75 basis points and indicated the likelihood of similar-sized cuts in the upcoming meeting. The Colombian central bank also opted to lower interest rates.
- On Wednesday, the European Union reached an agreement on a reform that will modify the spending rules of the Stability and Growth Pact. The reform is designed to assist high-debt countries in meeting their targets while also introducing constraints such as annual spending limits and mandated minimum levels of debt reduction.

Equity Markets	Index Level 22 Dec 23	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	4210	4.0%	7.3%	7.2%
FTSE 100	7697	3.4%	7.4%	7.2%
FTSE 250	19535	7.5%	7.4%	7.9%
MSCI World	3145	3.7%	17.9%	17.5%
MSCI World EM	998	0.9%	2.6%	1.3%

Bond Markets	Yield 22 Dec 23	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	3.86	5.6%	3.9%	3.4%
FTA All Stock ILG index	0.69	7.1%	1.6%	1.0%
FTA Over 5 Year ILG index	0.71	8.7%	1.0%	0.3%
FTA Under 5 Year FIG Index	3.66	1.6%	3.9%	4.0%
FTA Over 15 Year FIG Index	4.00	10.8%	2.5%	1.4%

Interest Rates & Yields	Yield 22 Dec 23	Yield 30 Nov 23	Yield 31 Dec 22	Yield 22 Dec 22
UK 15 Year Gilt Yield	3.87	4.51	3.99	3.91
US 10 Year Treasury Yield	3.87	4.33	3.87	3.68
German 10 Year Yield	1.98	2.45	2.57	2.36
Spanish 10 Year Yield	2.91	3.47	3.66	3.44
Greek 10 Year Yield	3.05	3.67	4.57	4.49
Japan 10 Year Yield	0.62	0.66	0.41	0.39

Currencies Exchange Rate	22 Dec 23	30 Nov 23	31 Dec 22	22 Dec 22
GBP / USD	1.27	1.26	1.21	1.20
GBP / EURO	1.15	1.16	1.13	1.14
GBP / YEN	180.46	187.04	158.48	159.14

Commodities	Price Level 22 Dec 23	Price Level 30 Nov 23	Price Level 31 Dec 22	Price Level 22 Dec 22
Gold \$	2,052.90	2,036.41	1,824.02	1,792.52
Wheat \$	612.50	570.25	792.00	762.25

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
29/12/2023	SP	CPI YoY	3.20%	--	3.20%
29/12/2023	SP	CPI EU Harmonised YoY	3.30%	--	3.30%
27/12/2023	JN	Industrial Production MoM	-1.60%	--	1.30%
28/12/2023	US	Initial Jobless Claims	210k	--	3.30%

Source: Bloomberg

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