

1 August 2022



Handelsbanken

Wealth & Asset Management

WEEKLY BULLETIN

Investment markets shrug off downbeat data

Key takeaways

Markets closed July on an upbeat note last week, with the S&P 500 stock market index in the US recording its best month since November 2020, and US Treasuries seeing their best performance since March 2020. This was in spite of mixed economic data from across the globe.

- In the US, the Federal Reserve Bank (Fed) announced that it would raise its benchmark interest rate by another 0.75% taking the range to 2.25% to 2.50%. (Fed interest rates are stated in ranges: the range had previously been set at 1.5%-1.75%.) Fed Chair Powell remained cautionary, noting that inflation is too high and that the Fed is strongly committed to bringing it under control with another 0.75% hike on the table for September. He also added that the rates hiking cycle would slow at some point, which markets took favourably.
- Also in the US, Q2 2022 GDP economic activity showed the second consecutive quarter of economic contraction, spurring endless debates as to what constitutes a recession. (Two consecutive quarters of contraction is one technical definition of a recession, but in the US, the National Bureau of Economic Research apply a different methodology which has not indicated recession yet). There also appears to be a greater focus on jobs growth, which remains strong, as a primary indicator for the turning point in the current business cycle.
- Meanwhile, on the global stage, the International Monetary Fund (IMF) downgraded its outlook for global growth and increased its inflation forecasts, citing monetary tightening, China lockdowns and spill-overs from the war in Ukraine. The IMF also revised up its developed nations inflation forecast. Investment markets took this news in their stride as the deteriorating economic outlook has already been factored in.
- Finally, the second quarter earnings results is well underway with many companies reporting better-than-expected results, in particular, the mega-sized technology companies, which had such a poor first half of the year.

Market moves

Stock markets had a strong week based on hopes that slowing growth will see central banks ease up on the pace of monetary tightening and helped along by better-than-expected, company earnings results. With the exception of Japan and Emerging Markets, most markets were in positive territory.

Bond markets also performed well, in particular inflation-linked UK government bonds.

In commodities, oil prices rose despite slowing economic activity data.

What to look out for this week

The main focus this week will be on Friday's release of the July jobs data in the US. The data is expected to show a further slowing in payroll growth, flat unemployment, and a slight slowdown in wages growth.

On Thursday, policymakers at the Bank of England are expected to follow other central banks and raise interest rates, possibly by the largest increase in 25 years, with a rise of 0.5 percentage points. If this comes to pass, the Bank's benchmark rate will be at 1.75%.

Market performance (as at 29 July 2022)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,141.7	2.0%	3.5%	5.3%
MSCI United Kingdom Mid Cap	1,202.4	1.2%	8.7%	-16.3%
MSCI United Kingdom Small Cap	395.0	1.7%	8.2%	-16.1%
MSCI World (GBP)	2,151.5	2.5%	7.8%	-4.2%
S&P 500 (GBP)	4,130.3	3.2%	9.2%	-2.7%
MSCI Japan (GBP)	1,189.2	-0.1%	5.5%	-6.0%
MSCI Europe ex-UK (GBP)	1,500.4	1.4%	5.2%	-10.4%
MSCI Pacific ex-Japan (GBP)	1,585.6	0.7%	3.6%	3.1%
MSCI Emerging Markets (GBP)	59,422.3	-0.6%	-0.4%	-8.3%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,181.5	0.8%	2.7%	-12.4%
BoA Merrill Lynch Index-Linked Gilts	533.1	5.5%	5.5%	-18.5%
BoA Merrill Lynch £ Corporate	414.9	1.0%	3.3%	-11.4%
Commodities				
Oil (West Texas Intermediate, GBP)	\$98.6	-0.1%	-8.7%	45.7%
Gold (GBP)	\$1753.4	-0.1%	-3.7%	8.1%
S&P / GSCI (GBP)	3,766.4	3.4%	-0.2%	51.1%

Past performance is not a reliable indicator of future results. The value of investments may fall as well as rise. All performance returns are in GBP, while all index levels are in local currency.

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