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WEEKLY BULLETIN

A moment of relative calm for financial markets

Key takeaways

In an otherwise turbulent 2022, investors were offered some breathing room last week. This was at least partly due to encouraging comments from some of the world's leading central bankers.

- In the latest meeting minutes from the US central bank, all committee members voiced their support for continuing the newly adopted pace of interest rate rises. These rate rises represent part of an effort to slow down economic activity in order to rein in high inflation. Despite the current pricing pressures, US consumer spending (which counts for a significant portion of the US economy) has remained robust, according to the most recent Personal Consumption Expenditures (PCE) Index reading (covering April).

- In Europe, President Lagarde of the European Central Bank signalled an end to the bank's programme of purchasing financial assets to support the financial system, and pointed to the likelihood of an interest rate hike in July. While Lagarde indicated a relaxed timeline for interest rate changes, she also highlighted that the bank would like to leave its current negative interest rate (-0.5%) behind by September.

- In China, on the heels of newly relaxed rules from the central bank, the government announced fresh economic stimulus measures. The new measures include additional tax cuts designed to bolster economic growth, but were relatively modest versus more dramatic steps taken in recent history. At present, there seems to be some divergence between China's president (Xi), who is focused on maintaining the country's zero-tolerance approach to COVID-19, and its premier (Li), who appears more intent on supporting economic growth.

- Meanwhile in the UK, survey data (the Purchasing Managers' Index, or 'PMI') showed a slowdown in business activity. Inflation has yet to peak in the UK, and rising energy and food costs remain extremely challenging for many UK households. Last week, Chancellor Sunak announced a £15bn package of support aimed at tackling the cost of living crisis, which includes means-tested payments as well as energy bill subsidies. The package largely consists of one-off measures, and will be partially funded via a windfall tax on energy company profits.

Market moves

Stock markets were given some respite last week, with reassuring commentary from central banks in the US and Europe calming the market mood, alongside better news from some US retail businesses.

UK and US government bond markets weakened slightly, with bond investors appearing to focus on signs of slowing economic growth.

What to look out for this week

This is a shorter week for a number of major markets, with public holidays on both sides of the Atlantic.

Nevertheless, a spate of economic data is due for release, including the latest monthly employment market report in the US and an update to inflation data in Europe.

Market performance (as at 27 May 2022)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,181.9	2.5%	1.0%	6.8%
MSCI United Kingdom Mid Cap	1,211.7	2.2%	-3.5%	-16.2%
MSCI United Kingdom Small Cap	402.7	3.2%	-1.6%	-14.9%
MSCI World (GBP)	2,173.0	4.4%	0.1%	-6.0%
S&P 500 (GBP)	4,158.2	5.4%	0.3%	-5.7%
MSCI Japan (GBP)	1,160.0	0.1%	0.9%	-7.2%
MSCI Europe ex-UK (GBP)	1,538.3	3.7%	0.4%	-8.4%
MSCI Pacific ex-Japan (GBP)	1,630.9	0.5%	-1.5%	3.8%
MSCI Emerging Markets (GBP)	61,016.1	-0.3%	-3.3%	-8.3%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,198.6	-0.7%	-1.0%	-11.2%
BoA Merrill Lynch Index-Linked Gilts	555.4	0.1%	-3.6%	-15.1%
BoA Merrill Lynch £ Corporate	419.6	0.2%	-0.5%	-10.3%
Commodities				
Oil (West Texas Intermediate, GBP)	$115.1	1.0%	9.5%	64.0%
Gold (GBP)	$1851.8	-0.2%	-3.6%	10.1%
S&P / GSCI (GBP)	4,112.0	2.3%	5.4%	59.1%

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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