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Wealth & Asset Management

WEEKLY BULLETIN

Political ceasefire in the US, but not for long

Key takeaways

Politics narrowly stole the show from inflation news last week, as US politicians battled it out to avoid a government shutdown in Washington.

- The US government narrowly sidestepped a ‘government shutdown’ this weekend, which would have occurred had leaders been unable to agree to pass spending measures ahead of the new fiscal year, which began on 1 October (Sunday). In the event of a shutdown, various government services would have been suspended, with tens of thousands of government employees placed on furlough without pay. To avoid this, the Republican House Speaker Kevin McCarthy defied objectors in his own opposition party in order to back a spending bill, which was signed into law by President Biden with moments to go before the deadline. However, this bill only guarantees funding until 17 November, so we should expect the dilemma to rear its head again in just a few weeks’ time.
- In Europe, the latest annual inflation figures showed that pricing pressures fell to 4.3% in September – a drop from 5.2% in August and the lowest level since October 2021. Core inflation (which excludes more volatile priced items like food and fuel) also fell back. As a reminder, this does not indicate that overall prices are falling in Europe, but that the pace of price increases has slowed. This will be welcome news for the European Central Bank (ECB), which hiked interest rates to 4% in September as part of an effort to control inflation. While inflation has proven challenging for all developed world central banks in recent history, the ECB has the added challenge of setting a central interest rate to cover quite divergent economies facing different rates of inflation – for example, the latest data puts in inflation in Slovakia at 8.9%, while in Spain it’s just 3.2%.
- Sticking with inflation, there was welcome news for the US central bank, with the annual rise in core inflation (again, this excludes food and fuel) falling below 4% for the first time in more than two years. However, with energy prices currently on the rise, the journey downwards for inflation could be a rocky one. As we have noted in previous updates, the move away from unusually elevated inflation levels is unlikely to be a smooth line, but we believe that the overall trend from here is downwards.

Market moves

It was another challenging week for financial markets, with both bond and stock markets delivering negative returns.

The only major asset type to perform well last week was oil, where prices have risen thanks to producers placing a cap on supply levels.

What to look out for this week

The latest US employment report, covering September, is due to be released on Friday. The US central bank – which has a dual mandate of managing both inflation and employment levels – will be watching closely for any signs that their efforts to slow down the economy are paying off.

Market performance (as at 29 September 2023)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,180.0	-0.8%	2.9%	5.2%
MSCI United Kingdom Mid Cap	1,214.2	-1.8%	-1.9%	10.6%
MSCI United Kingdom Small Cap	356.6	-1.4%	-1.1%	1.3%
MSCI World (GBP)	2,248.5	-0.4%	-0.6%	9.9%
S&P 500 (GBP)	4,288.1	-0.2%	-1.1%	11.4%
MSCI Japan (GBP)	1,416.7	-1.7%	1.8%	10.0%
MSCI Europe ex-UK (GBP)	1,583.1	-0.8%	-1.2%	7.6%
MSCI Pacific ex-Japan (GBP)	1,523.8	0.2%	0.6%	-5.8%
MSCI Emerging Markets (GBP)	58,515.2	-0.6%	1.1%	0.7%
Bonds				
BoA Merrill Lynch Conventional Gilts	964.7	-1.4%	-1.1%	-4.6%
BoA Merrill Lynch Index-Linked Gilts	394.5	-2.5%	-3.5%	-8.0%
BoA Merrill Lynch £ Corporate	381.3	-0.9%	0.0%	1.2%
Commodities				
Oil (West Texas Intermediate, GBP)	$90.8	1.4%	12.8%	11.6%
Gold (GBP)	$1870.5	-2.5%	0.0%	1.6%
S&P / GSCI (GBP)	3,748.9	0.3%	8.1%	5.7%

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.

Important Information