



WEEKLY BULLETIN

Stock markets take a moment to catch their breath

Key takeaways

Despite a backdrop of mixed economic news, global share prices enjoyed a much-needed week of positive performance.

- Inflation woes continued to take their toll on economic data last week, with consumer confidence levels in the US and UK reaching record lows. However, the latest data on the UK retail sector showed declining volumes but rising nominal spending; in layman's terms, this effectively means that consumers are paying more for less. Speaking to the strength of household balance sheets, consumers do not appear averse to spending for the time being, even if it means accepting less for their money.
- Hearteningly, multiple indicators suggest that pricing pressures may be peaking in the world's most influential economy: the US. Various supply chain bottlenecks (such as shipping costs) appear to be coming down from their recent highs. There are also signs that the US housing market is beginning to cool, while commodity prices may finally be taking a step back.
- However, inflation levels remain considerably beyond comfort levels for leading central banks. In his testimony to Congress last week, the head of the US Federal Reserve Bank (Fed) – Jerome Powell – noted that factors beyond the Fed's control (e.g. the war in Ukraine and further lockdowns in China) had made it more challenging to maintain the Fed's dual goals of 2% inflation and a strong labour market. Powell reiterated that the Fed will focus on price stability in their coming policy decisions.
- Meanwhile, the latest survey data covering private sector businesses delivered disappointing results. Survey responses pointed to ongoing growth, but with demand slowing. This could be good news for the Fed, as slowing demand should help to further cool inflationary pressures. The balancing act for central banks continues: slowing the economy to ease inflation, whilst also sidestepping severe recession.
- Russia has officially defaulted on its international debt, having passed through the 30-day grace period on interest payments of around \$100m which were due in late May. Russia has offered to pay its debt in roubles, and has referred to the default as 'artificially created' – sanctions have frozen Russia's foreign currency reserves, which could otherwise have been used to make the interest payments. The incident highlights how financial markets have been used as a weapon against Russia since its invasion of Ukraine earlier this year.

Market moves

In a welcome positive week for global stock markets, rising bond prices (and falling bond yields) helped to push share prices higher.

Commodity prices fell overall, in helpful news for the inflation picture.

Sterling gained versus its international currency peers, brushing off political news in the form of Conservative by-election losses.

What to look out for this week

Further inflation data covering the US and Europe is due for release throughout the week.

A number of central bank speakers (including the heads of the US and European central banks) will be speaking publicly this week. Financial markets will be watching closely for hints of fresh policy news.

Market performance (as at 24 June 2022)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,080.4	2.8%	-4.8%	2.1%
MSCI United Kingdom Mid Cap	1,128.0	2.0%	-6.2%	-21.6%
MSCI United Kingdom Small Cap	376.2	1.3%	-6.5%	-20.3%
MSCI World (GBP)	2,047.3	4.5%	-3.6%	-9.7%
S&P 500 (GBP)	3,911.7	5.5%	-2.8%	-8.9%
MSCI Japan (GBP)	1,142.5	0.8%	-5.3%	-11.8%
MSCI Europe ex-UK (GBP)	1,425.7	2.3%	-5.9%	-13.9%
MSCI Pacific ex-Japan (GBP)	1,535.1	1.2%	-5.9%	-1.6%
MSCI Emerging Markets (GBP)	60,087.0	-0.1%	-3.4%	-8.3%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,152.8	1.7%	-1.7%	-14.6%
BoA Merrill Lynch Index-Linked Gilts	517.8	3.0%	-2.4%	-20.8%
BoA Merrill Lynch £ Corporate	403.8	1.1%	-2.7%	-13.7%
Commodities				
Oil (West Texas Intermediate, GBP)	\$107.6	-2.6%	-3.5%	57.4%
Gold (GBP)	\$1825.5	-1.8%	1.8%	11.4%
S&P / GSCI (GBP)	3,904.0	-3.3%	-1.9%	55.1%

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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