

# MARKET UPDATE

Welcome to our weekly newsletter, where the Manager summarises the key market developments over the last seven days.

## The Noise

US inflation rose 3.7% in the 12 months to August, its first increase since June 2022, as the price of energy has soared following Russia and Saudi Arabia continuing aggressive cuts in supply. Higher energy prices accounted for more than half of the increase in the overall inflation rate. With the Federal Reserve meeting on Wednesday next week, analysts believe they are unlikely to raise interest rates given the little influence a rates rise will have on energy prices. However, analysts believe this week's data may push the Federal Reserve to act later in the year, as prices remain comfortably above the 2% inflation target.



The European Central Bank has increased interest rates to their highest point since the inception of the Euro, as it continues to address persistent high inflation across the single currency bloc despite concerns of a potential slowdown. ECB President Christine Lagarde has signalled that 4% level set on Thursday could be the high point for borrowing costs in this cycle. She has been quoted as saying that they've "reached levels that, maintained for a sufficiently long duration, will make a substantial contribution to the timely return of inflation to the target".

Singapore intends to scale up a pilot initiative focused on utilising electricity to extract CO<sub>2</sub> from seawater, with the aim of enhancing the ocean's capacity to absorb carbon dioxide emissions. The project, led by the Singaporean Public Utilities Board, is currently extracting 100 kilogrammes of CO<sub>2</sub> a day. Its aim is to secure funds by the end of the year to build a demonstration plan with a daily capacity of 10 tons, with plans to expand further.



## The Numbers

Performance to 14/09/2023	1 Week	YTD	Absolute Level
<b>Equity USD Total Return</b>			
MSCI ACWI	1.20%	15.20%	686
MSCI USA	1.20%	18.70%	12660
MSCI Europe	1.20%	11.20%	8310
MSCI UK	2.70%	9.20%	7566
MSCI Japan	1.00%	16.10%	7678
MSCI Asia Pacific ex Japan	0.70%	2.30%	530
MSCI Emerging Markets	1.00%	4.90%	510
MSCI EAFE	1.10%	10.80%	2100

Source: Bloomberg, data as at 14/09/2023

Performance to 14/09/2023	1 Week	YTD	Absolute Level
<b>Fixed Income USD Total Return</b>			
Global Aggregate	0.10%	-0.50%	444
Global Treasury	0.10%	-1.90%	526
Global Investment Grade Hedged	0.10%	2.30%	254
Global High Yield hedged	0.30%	6.50%	1422
<b>Currency Moves</b>			
USD vs GBP	0.50%	-2.60%	0.80
USD vs EUR	0.50%	0.60%	0.94
USD vs JPY	0.10%	12.50%	148
<b>Commodities USD Return</b>			
Gold	0.00%	2.10%	1542
Oil	3.80%	15.10%	91

## The Nuance

The UK economy contracted by 0.5% in July from June, an unexpectedly sharp fall, as strikes in schools and hospitals as well as unusually rainy weather impacted output. This year has seen regular fluctuations in month-to-month GDP data, yo-yoing above and below zero. Some have said the latest data underlined signs of a weakening British economy, perhaps to a greater extent than what the Bank of England had anticipated. All major sectors of the economy – services, manufacturing and construction – declined in July. However, it was the services sector that had the most significant negative impact on GDP, for the two reasons outlined above. As a result, one could argue that this latest release may not indicate as much as one would like about the state of the UK economy.

Indeed, strong wage growth and sticky core inflation may push Bank of England policymakers to raise interest rates from its current level of 5.25% when they meet next week, despite the concerns over the economy's weakness in recent months.



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Source: atomos

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