Wealth Management
Weekly Market Update

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Market Update

Last week, global equities once again came under pressure, falling -0.9%, as the Federal Reserve raised the possibility of several 50 basis point interest rate hikes over the coming months in an attempt to tackle rampant inflation and cool robust demand. After starting the week in positive territory, US equities quickly reversed in the latter half of the week, led by significant losses in the telecommunications and energy sectors of over -4.5% and -7.7% respectively. UK equities fell -1.1%, as consumer confidence fell to its lowest level since the initial onset of the Covid-19 pandemic on concerns surrounding inflation and the impact of the Ukraine war. Emerging market stocks fell -2.2%. Meanwhile in Europe, the race for the French presidency came to a head as Emmanuel Macron successfully fended off populist candidate Marine Le Pen in the final round of the election on Sunday. European stocks traded broadly flat on the week (up +0.1%). Meanwhile, bonds continued their rout as yields advanced globally. The US 10-year Treasury yield advanced 7.7 basis points to 2.905%, whilst the UK 10-year yield rose to 1.964%. Commodities prices also dipped this week, with oil falling -2.2% to $102 a barrel as concerns rise over global growth prospects, whilst gold prices fell -0.5%.

UK Stocks	US Stocks	EU Stocks	Global Stocks	EM Stocks	Japan Stocks	Gilts	GBP/USD
▼ -1.1%	▼ -1.0%	▲ +0.1%	▼ -0.9%	▼ -2.2%	▼ -0.5%	▼ -0.2%	▼ -1.7%

all returns in GBP to Friday close

Macro News

- Flash Manufacturing PMI data showed that manufacturing growth in the US grew at a faster rate this month than in March, posting a value of 59.7 versus 58.8 previously. Services performed less well, falling 3.3 points from 58.0 in March to 54.7 in April.
- Retail sales in the UK fell by 1.4% in March, following a 0.5% drop in February and much worse than market forecasts of a 0.3% decline. The largest contribution to the fall came from non-store retailing, in which volumes fell by 7.9% over the month. The ratio of proportion of online retail sales also dropped to 26%, its lowest proportion since February 2020. Automotive fuel sales fell by 3.8%, suggesting that people have been reducing non-essential road travel.
- In its latest World Economic Outlook, the IMF warned that the global economy will suffer a hit to growth as a result of Russia's invasion of Ukraine. The fund cut its forecast of global growth in 2022 to 3.6%, from a forecast 4.4% in January. It also cut its forecast for US growth from 4% to 3.7%, UK growth from 4.7% to 3.7%, and Euro area growth from 3.9% to 2.8%.

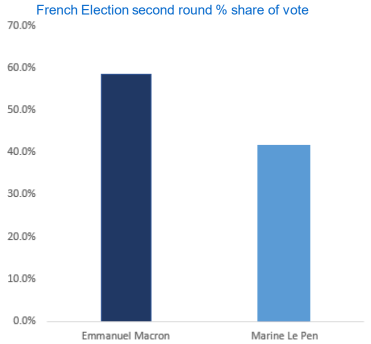
The Week Ahead

- Advance numbers for US and European GDP growth in the first quarter of 2022 will be released this week, which will provide an insight into the effect that the war in Ukraine has had on developed economies.

Week in Charts

Emmanuel Macron wins French Election

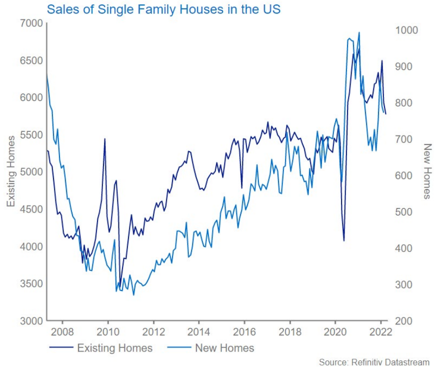
French Election second round % share of vote



Emmanuel Macron defeated Marine Le Pen on Sunday, by a margin of 58.5% to 41.5%, to be re-elected as French President. The news likely comes as a relief for many investors as a win for the Le Pen, who had called for withdrawing France from NATO, and negotiating a departure from the Euro and Eurozone, would carry significantly more geopolitical risks going forward.

Existing and New Home Sales Have Fallen

Sales of Single Family Houses in the US



Existing and new home sales in the US have fallen sharply in the past few months as high prices and mortgage rates discouraged buyers. Construction of new homes on the other hand, remains quite high, having maintained a steady upward trajectory following the trough of the great financial crisis. This may mean that the environment of excess demand in the housing market may be moving into a new balance.

View From the Desk

China is the origin point of supply chains. Unlike Wuhan, Shanghai is China's biggest port and the most significant bottleneck of trade between the US and China. It is home to 121 Fortune 500 companies. Shanghai accounts for 3.8% of China GDP. Exports produced in Shanghai are 7.2% of China's total volume and about a fifth of all goods are exported through this key port. Currently, waiting time around the port is reported to be up to 30%-40% higher than usual, although the number could be higher.

The repercussions will be significant. Delays will further destabilise supply chains, which have already been impacted by the war in Ukraine. On the one hand, a Chinese slowdown will be deflationary. On the other hand, however, and over a longer term, we could see inflation pressures further exacerbated as supply chains struggle to get back on line.

The global economic repercussions from China's new lockdowns will be formidable. But they will pass. The images of repression, however, will scar China as an investment destination for years to come.

China might still achieve its growth targets. But it will, probably, increasingly have to do it without western Foreign Direct Investments. At the very least, it will have to review and adjust its growth model. To do that, it will have to slow down and re-examine its place in the global supply chain. A world where global expansion of output is not driven by China anymore, will be slower to grow, and more inflationary. Welcome, to a world without BRICs.

David Baker, CIO

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