

# Weekly Update

## Falling leaves, falling inflation

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### NOT NEGATIVE NOW

The BoE holds fire

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### SEEING IS BELIEVING

The Fed adjusts guidance

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### SUGA HIGH

Japan appoints a new Prime Minister

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### TECH COOLS

But Snowflake is still hot

### A GOOD WEEK FOR

- Oil, which rallied over 8% in USD terms.
- Japanese equities, which rallied c. 1% in GBP terms, helped by a strong yen.

### A BAD WEEK FOR

- The technology sector and therefore the US index, which slid c. 2% in GBP terms.
- Equities in the UK and Europe also sold off.

### UK INFLATION

The rate of UK Consumer Price Inflation fell sharply in August. CPI declined to 0.2% year-on-year from 1% in July. Much of the decline was down to the Government's Eat Out to Help Out scheme, which caused a 6% month-on-month decline in the cost of catering services in August. Elsewhere in the CPI basket, temporary upward pressure in clothing prices – caused by unusual seasonal pricing patterns – unwound and also pushed prices down. The end of the Eat Out to Help Out scheme in September and the unwinding of the VAT cut in January may create upward pressure on pricing, but broad inflation is likely to remain subdued as weak demand and rising unemployment may weigh on retail pricing as well as wage growth.

### UK MONETARY POLICY

As expected, members of the Bank of England's Monetary Policy Committee voted to leave interest rates and monetary policy on hold at last week's meeting. MPC members cited stronger-than-expected recent economic data and a high degree of uncertainty around the path of global growth and inflation as reasons to remain on hold. Nonetheless, BoE staff will be considering the possible impact of the broader reintroduction of social restrictions in the UK, as well as the imminent departure of the UK from the EU. While it is still possible that a deal will be agreed between the two parties, the scope of the deal currently being pursued by the UK Executive is narrow and would not address issues such as border checks or mutual recognition of regulatory bodies.

### US MONETARY POLICY

The US Federal Open Markets Committee last week adjusted forward guidance in a bid to boost US inflation expectations. Fed Chair Jerome Powell announced an adjustment to the wording of the Committee's mandate at the recent Jackson Hole symposium, to targeting 'flexible average inflation'. At the September meeting Powell announced that the Committee expects to maintain the current interest rate until inflation has reached 2%, until it sees inflation "moderately exceeding" the 2% target for "some time" and until the labour market is consistent with maximum employment. This change in guidance makes it possible that inflation will be somewhat higher in coming years, though it may be a modest spur to inflation itself.

### JAPANESE POLITICS

Japan appointed a new Prime Minister last week, after Shinzo Abe stepped down due to ill health. The ruling Liberal Democratic Party selected Yoshihide Suga as leader and therefore premier. Suga's appointment is expected to be positive for the Japanese economy, which is suffering a period of very weak growth. Suga has pledged to continue with the broad economic principles set in train by Abe and, in addition, is seeking to deliver on government reforms and deregulation. However, ineffective handling of the pandemic could risk a short premiership and further political uncertainty.

### US ECONOMY

While the tech sector may have continued to swoon this week, tech IPOs enjoyed greater enthusiasm. Last week's initial public offering (IPO) for cloud data software company Snowflake was one of four tech IPOs last week. All enjoyed strong debuts, with each stock getting away above the expected price range. At a time when the outlook for global growth is uncertain and the economy is undergoing structural shifts, new sources of returns may appeal to investors all the more, regardless of very demanding valuations.

# Performance

## EQUITIES

	1 WEEK			MTD			YTD			1 YEAR		
	£	Loc.	Rel.	£	Loc.	Rel.	£	Loc.	Rel.	£	Loc.	Rel.
UK	-0.5%			0.9%			-19.6%			-16.8%		
US	-1.6%	-0.3%	-1.2%	-2.0%	-5.2%	3.1%	7.8%	5.3%	2.5%	9.4%	13.6%	-4.1%
Europe	-1.0%	0.0%	-1.0%	4.0%	1.3%	2.7%	2.0%	-5.8%	7.7%	3.6%	0.2%	3.4%
Japan	0.7%	0.2%	0.5%	6.1%	1.0%	5.1%	3.4%	-3.0%	6.5%	4.3%	4.4%	0.0%
Asia ex Japan	0.3%	1.0%	-0.7%	3.1%	-0.5%	3.6%	7.5%	4.3%	3.2%	9.8%	11.5%	-1.7%
EM	0.3%	1.0%	-0.7%	4.1%	-0.1%	4.1%	3.6%	4.3%	-0.7%	7.0%	12.7%	-5.7%

## FIXED INTEREST AND CURRENCIES

	1 WEEK			MTD			YTD			1 YEAR		
	Local			Local			Local			Local		
Corporate and Government Bonds												
UK Gov	0.1%			2.0%			8.6%			5.6%		
US Gov	-0.2%			0.1%			9.1%			9.0%		
Europe Gov	0.7%			-0.1%			8.5%			8.4%		
UK Index-Linked	-0.8%			2.1%			10.4%			3.0%		
UK Corporate	0.2%			1.2%			5.8%			6.2%		
UK High Yield	0.1%			0.4%			-1.0%			2.3%		
Currencies – Spot												
USD – GBP	-0.9%			3.5%			2.6%			-3.4%		
EUR – GBP	-1.0%			2.7%			8.4%			3.6%		
JPY – GBP	0.6%			4.8%			6.6%			0.1%		

	YIELD
	Local
Sovereign and Supranational Bonds	
10 Year Gilts	0.19%
10 Year Treasuries	0.69%
10 Year Bunds	-0.48%

## COMMODITIES

	1 WEEK			MTD			YTD			1 YEAR		
	Local			Local			Local			Local		
Energy												
Brent	8.3%			-4.7%			-34.6%			-32.2%		
Precious Metals												
Gold	0.5%			-0.9%			28.6%			30.6%		

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