CAMBRIDGE
INVESTMENTS LIMITED

THE **CAMBRIDGE** WEEKLY

3 October 2022

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Loss of trust

Last week provided the evidence for the fragility of capital markets as they grappled with the strain of transitioning from an ultra-low interest rate environment, back to the one we knew before the global financial crisis of 2008. A policy mistake around the smaller part of the UK government's fiscal measures aimed at fending off a looming recession, rattled international capital markets to such an extent that it is now likely to create far more headwind than support for the UK's economy in the winter ahead.

The media reaction to the previous week's mini-budget has been deafening at times, but we prefer to take a step back and offer a more measured assessment of what last week's events may mean for the UK economy and our investors.

The Chancellor's 'fiscal event' came after the UK government had already announced a comprehensive support package for households and businesses to soften the blow of further energy price rises. This package is likely to cost more than three times the fiscal stimulus package through tax cuts announced by the chancellor last Friday. Markets had taken the equally debt funded energy support programme positively without any notable changes to bond yields or currency. Friday 23rd September's £47 billion economic stimulus programme, on the other hand, prompted a melt-down in the fundamentals of the UK's capital market that was only alleviated after the Bank of England (BoE) intervened in its capacity as lender of last resort. This stabilised markets and allowed yields and sterling to recover almost back to where they had been before the fiscal event took place.

So, why the outsized reaction to the smaller programme of tax cuts versus the much more sizeable injection of public funds into the energy markets? The answer is that the former was seen as a necessary and constructive – even if fiscally painful – intervention, which would cause the UK's economy (and thus tax revenue) to contract substantially less over the coming winter than without. But the latter, a reincarnation of a Thatcherite tax cutting strategy (but without Thatcher's funding underpinnings), came as an utter surprise and was viewed as reckless and ineffective, because such a strategy does nothing to address the UK economy's most pressing economic growth issues – of declining overseas trade volumes and the lack of qualified labour – while further increasing public debt levels.

What compounded the impression that lending to the UK government had just got significantly riskier was not just that those tax cuts were unfunded, but that on top the government had deemed it unnecessary to provide any detailed analysis of what this should mean for the UK's economy or proffered any plans on how to return to the path of fiscal prudence. This seemed like intellectual arrogance of a recent class of political actors who pride themselves in succeeding by 'moving fast and breaking things'.

Given the UK these days relies on foreign investors rather than domestic savers to buy up newly issued government debt (gilts), and that the sterling gilt market cannot at all rely on being as big and systematically unavoidable as the US government bond market, any politician changing the perception of risk to lend to the UK government does so at their own peril – as this very young government subsequently learned very quickly.

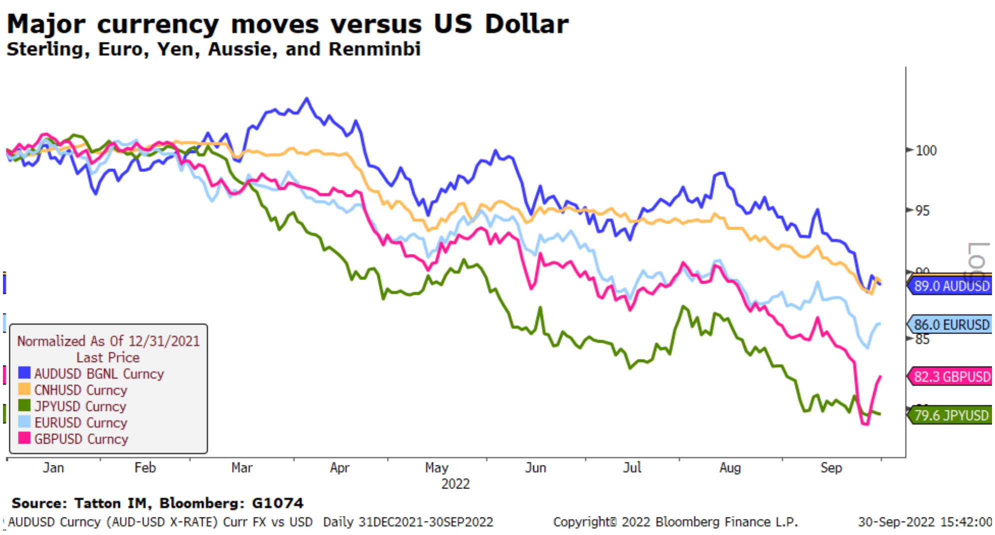
We cover the more detailed reasons for last week's gilt market rout in a separate article, but at the highest level, the explanation for the market turmoil is that the yield of government bonds (the 'risk-free' rate) constitutes the 'plumbing' of any nation's financial system. It's the pivot of the financial system with all other financial assets pricing off the risk-free yield spectrum. Making this risk-free rate suddenly appear to be carrying risk, therefore, has very far-reaching consequences, which, incidentally, former Chancellor and Conservative Party leadership contender Rishi Sunak unsuccessfully warned about all through summer's election contest.

The BoE's swift and decisive action saved the government from presiding over more extensive damage in the short-term, but a fair amount of damage to the reliability of British political institutions, not to mention the damage to international trust levels, has been done. This means that the cost of capital for the UK, its businesses and consumers, is very likely to be higher than it would otherwise have been, which in turn will further reduce consumers' ability to spend on non-essential goods and services.

And yet, despite this sobering news, it may seem surprising that in the depth of the crisis last Wednesday, the UK stock market was down only around 4-5%, while the aggregate gilt market had plummeted 12-15% (by the end of last week and after the BoE intervention they were both down around 3.75%. This leads us to turn to the wider background in global financial markets and, in particular, the US where the wider problems for the plunging £-sterling started. The US's somewhat different economic dynamics this year have led to a strength in the dollar we have not seen in decades, and upward interest and yield pressures that have turned monetary liquidity from abundance back to traditional scarcity.

The following excursion into how the latest developments in the US economy and financial markets have made the UK and other Western nations more financially exposed takes this Cambridge Weekly beyond the length of what we usually present our readers with. However, we believe the events of last week justify a deeper analysis.

Against the relentless strength of the dollar this year (see chart below) and rates and yields higher than elsewhere, it is difficult to see how the current situation of high risks and lower returns enables Europe, UK and elsewhere to attract capital at all. The falls in the euro, Japanese yen, Chinese renminbi and sterling have been substantial.

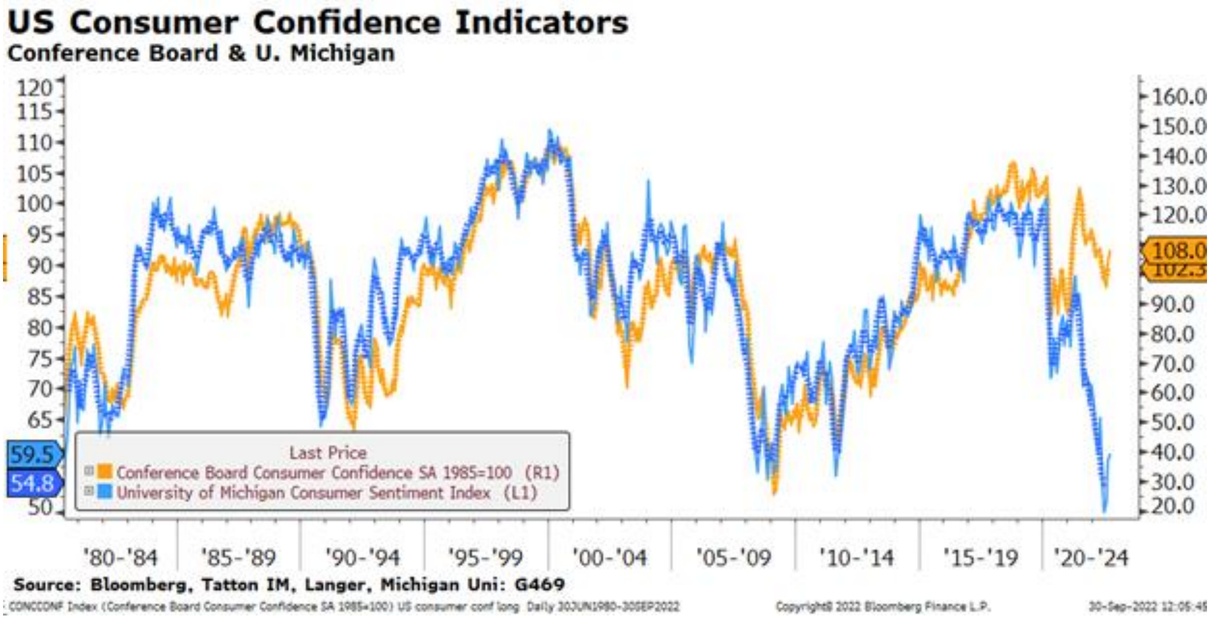


Russia's threat to Europe's energy costs is keeping capital and growth flowing towards the US. But this will not go on forever and there are hopeful signs that those energy costs are starting to respond to cuts in demand and the quick reforming of distribution chains.

However, the non-US world might rather prefer if US yields started to head lower, even if that came from a soggy US equity market in response to a turn of economic fortunes across the Atlantic.

After a week of turmoil, the UK Prime Minister's complaint that our current situation is in response to global factors is partially true. Unfortunately for her, and for her Chancellor, this was true before the previous week's mini-budget. As a result of strong dollar and US yields, the rest of the world could well be described as experiencing a shortage of capital. It should, therefore, come as no surprise that the marginal cost of asking investors for a large amount of additional funds in short order to finance increases in government debt, would be much higher than immediately before. This further explains why the UK government's blunder earned such an outsized penalty by markets last week, and why Western economies are even more financially exposed to the US capital markets than usual.

So, let us turn to the US economy to understand why yields there are so much higher as the result of resilient economic growth prospects, when the rest of the Western world has entered recession. First, we have to concede that the US economy's current insulation from the rest of the world is remarkable. The general flow of backward-looking US economic data continues to be positive despite the recent rises in interest rates. Both firms and households have regained confidence and stepped up their spending. The Conference Board's highly respected Consumer Confidence Indicator bounced sharply as the chart below shows (orange line).



A major reason seems to be the fallback in inflation pressures from input costs, with US energy prices falling (particularly oil). Meanwhile, goods prices of imports started to decline over the summer; the strength of the dollar adding to economic weakness outside the US. The University of Michigan's economic sentiment survey (blue line in chart above) has been weaker than the Conference Board's indicator because it is more associated with inflation than employment. However, as just about visible above, from the low, it has bounced sharply.

A fall back in input cost pressures will have been welcomed by the US Federal Reserve (Fed). Indeed, Fed Chair Jerome Powell told us as much two months ago. However, US rate setters do not see this as the inflation issue. Since August's Jackson Hole meeting, Fed members have pointed at labour market tightness as their main concern, and they have been getting more specific. In the past two weeks, various spokespeople have stated they would like to see the unemployment rate rise from the current 3.6% to 4.5%. Indeed, 4.5% is their estimate of the rate which prevents this year's price pressures turning into a self-enforcing wage-price spiral.

Returning to the Conference Board's indicator, it is notable that it is more attuned to the labour market and therefore chimes with recent weekly employment data, which confirmed there were more jobs around in September. Unsurprisingly then, wage pressure shows very little sign of subsiding. Counterintuitively perhaps, the fallback in cost-push inflation has added to growth and therefore to domestically-sourced inflation pressure. As a result, the Fed is left with little choice but to keep up the rhetoric that interest rates will have to rise and keep rising until jobs get fewer. That means for the Fed to halt tightening, firms would have to get pessimistic about revenues, not just interest rate costs.

As we head into the start of the Q3 corporate earnings season, there are some early signs of a wobble in confidence, centring on the larger more global firms with substantial non-US revenues. But, in the main, the US economy's growth numbers tell us that well-run companies with controlled balance sheets and good cash flow will continue to be very upbeat about their prospects. They are not particularly sensitive to interest rates as refinancing is months (if not years) away. We expect their results for Q3 to look good and that they will tell us their future is positive.

Neither are US consumers particularly sensitive to interest rates. Mortgage rates have shot up to 6.7% and the housing market has slowed considerably, with new home pending sales down 20% from a year ago. But that only affects new buyers because everybody else retains the benefit of fixed rate mortgages.

As a consequence, consumer sentiment is more sensitive to the value of their saved wealth, most of which is in US equities. The renewed falls may affect confidence, much as it appeared to during the first half of 2022. The markets' summer bounce has unwound, and we are back at the lows for the year. Weak markets may mean lower consumption, which would result in lower earnings which could justify a lower market. All – admittedly – rather circular.

However, that dynamic would also enable a break in the link between bonds and markets. Markets have fallen because of interest rate-induced falls in valuation. A drop in estimated earnings for the next 12 months would allow yields to halt their previous inexorable rise, possibly even to fall.

It is perfectly possible that we could see company outlooks from this forthcoming US earnings season disappoint somewhat after all. If that is also accompanied by easing inflation pressures, we could see a reverse of the tightening of global financial conditions, something that not just central bankers across the world would find worth cheering about.

Returning to the UK, the bad start of this latest Conservative government has not improved the near-term prospects for the economy, but as laid out above, the severity of the capital market reaction wasn't entirely free of external factors. We should be hopeful that last week's baptism of fire will have brought home to this latest set of political leaders that the UK cannot simply apply economic textbook remedies that academics have traditionally defined under the assumption of a broadly independent economy like the US, but instead they should focus on parameters they can actually influence like trade, training of the domestic workforce, and relative attractiveness to capital and skilled labour from abroad.

After a week such as we have just been through, the domestic outlook may look particularly grim, but as the fast-moving upward developments towards the end of last week showed, the initial shock tends to be far worse than what actually happens further down the line.

Gilt market post-mortem

Britain's most recent chancellors have had tough starts. Rishi Sunak strolled into 11 Downing Street on the eve of the pandemic and was quickly forced to unveil billions in emergency spending measures. Nadhim Zahawi, his short-lived successor, came on board as Boris Johnson's ship was sinking – and publicly denounced his captain just 48 hours later. But if those two endured trials by fire, Kwasi Kwarteng's tenure looks like a trial by firing squad.

In market terms, the previous week's 'mini-budget' already looks like the biggest fiscal event in decades. Gilt markets erupted – 10-year government bond yields shot up from 2.7% just a month ago to closing above 4.5% last Tuesday – while last Monday saw sterling sink to its lowest dollar value ever recorded. Comparisons to the "Black Wednesday" of 1992 and the sterling crisis of 1976 (likewise caused by fiscal expansion some years earlier) were rife. Last Wednesday, the International Monetary Fund (IMF) urged the new government to reconsider its plans with a tone it usually reserves for crisis-stricken emerging markets. Later the same day, the Bank of England (BoE) announced emergency bond purchases to stabilise yields and prevent a full-scale financial crisis.

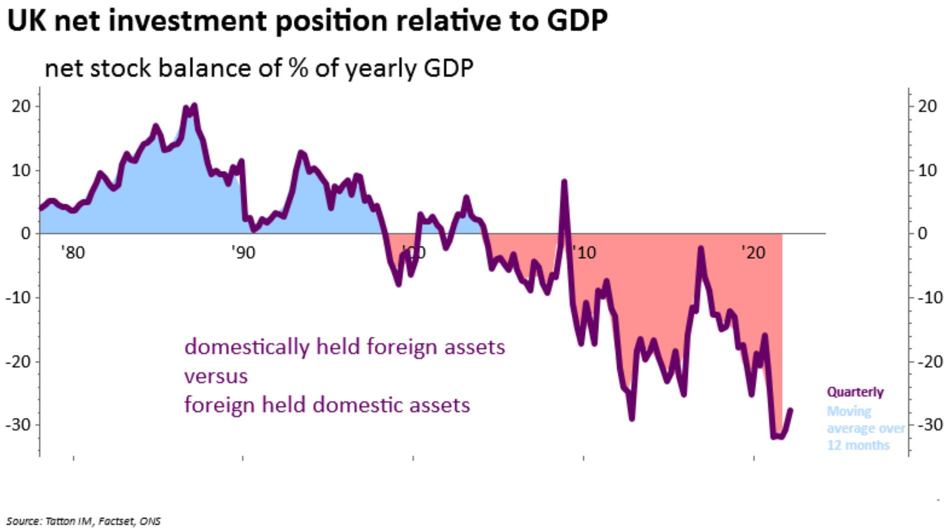
Where things will go from here is deeply uncertain. Investors had been expecting a policy response from the BoE (in the form of a sharp rate rise) since Kwarteng unveiled his plans the previous Friday. The fact that the central bank's operations department has sought to intervene with liquidity injections (almost the opposite of a rate rise) shows the scale of the immediate problem. Likewise, the IMF's rebuke – as well as worrying comments expressed by central bankers in the US – demonstrates how widespread the fallout could be. We talk about the global implications in a separate article this week, but needless to say, the gilt market reckoning is an unhelpful addition to a fragile world economy.

The catalyst for the market movements is straightforward, although the reason for the extent of the subsequent volatility is less so.

The Chancellor's growth stimulation plan amounts to a fiscal expansion via unfunded tax cuts which may boost aggregate demand at a time of otherwise slowing activity. Many are worried that this will fuel already ridiculously high inflation or at least prolong it. In itself, this could force the BoE to raise interest rates further.

However, under the current UK circumstances, it isn't obvious that tax cuts will result in significantly more economic growth. What it absolutely certainly means is more – and more urgent – debt issuance. The Treasury will then have to ask for funding from investors who are largely unwilling or unable to provide it. This means a dramatic oversupply of bonds, falling bond prices and – inversely – rising yields.

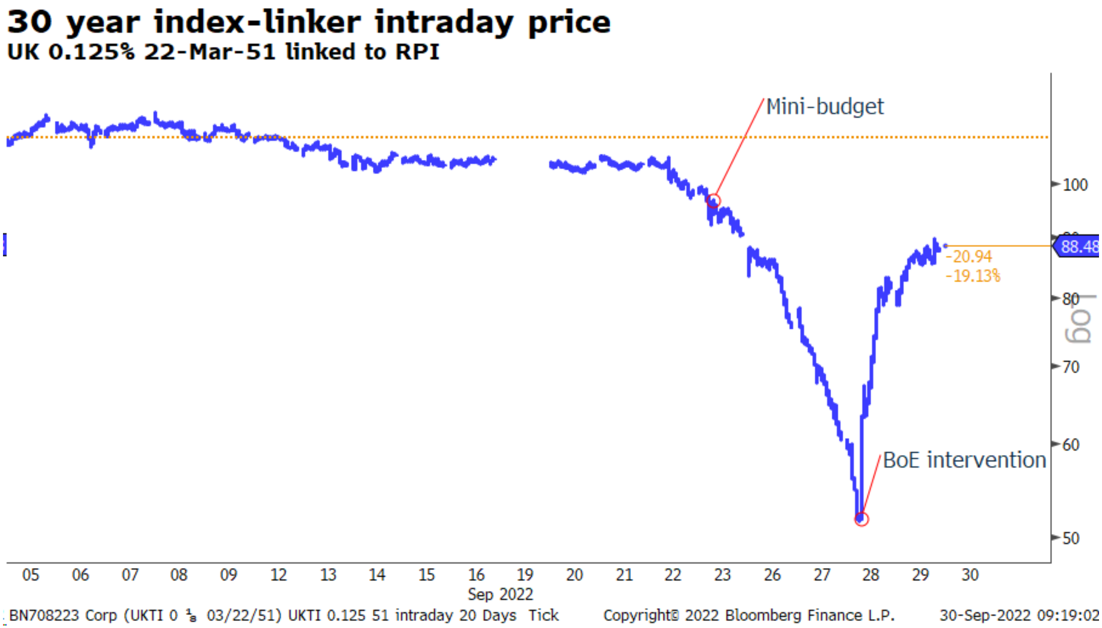
The situation is made worse by Britain's well-documented reliance on foreign capital. The UK's current account deficit – the balance of payments in and out of the country – came in at 8.3% of total GDP for the first quarter of this year. That is the biggest gap since records began in 1955. Even more importantly, the current account has been in a deficit which has grown faster than GDP for a long period.



As a result, we are more dependent on foreign funding than ever before and therefore extremely susceptible to the whims of global investors. The divergence between monetary and fiscal policy, with the longer-term economic uncertainty this creates, makes Britain a much less attractive destination for capital, which does not bode well for our economy or financial system.

Even considering all that, the financial devastation of last week is still astounding. The chart below shows the price of the 30-year retail price index (RPI)-linked 0.125% coupon 22-Mar-2051 gilt. Its price had already fallen from above 220 last December to 110 at the start of September, worrying enough.

Between the previous Thursday and last Wednesday, it lost about half of its value, and only staged a recovery once the BoE intervened to stop the bleeding. For a so-called 'risk-free' asset in a developed economy, this is unprecedented, and suggests there is more going on than a simple outlook re-evaluation.



The explanation lies in the UK's financial set-up. As of mid-July, UK pension funds held £1.5 trillion in Liability Driven Investments (LDIs), according to the Investment Association. To put the total figure into context, that is around 40% of the UK's institutional asset market and equates to about two thirds of GDP.

These are generally Defined Benefit (DB) pension schemes. The beneficiaries have a right to receive a cash flow which increases with inflation, which is the scheme's liability. The fund manager of the scheme attempts to match the varying liability as closely as possible. A portfolio wholly comprising inflation-linked government bonds would do it except that virtually no scheme saves enough to cover the promised payouts if the investment returns are low. Nor should the schemes invest in low returning assets; instead, they should be able to reap the reward for being long-term investors.

The LDI model makes use of the fact that government bonds are inherently less risky. They have price volatility risk but, in general, that risk is lower than the price volatility of higher returning equities. Government bonds are often termed 'risk-free' but that only refers to the credit component, as the state can always pay coupons and repay principal amounts (central banks can print the money to do so if necessary).

So, an LDI-driven pension scheme uses that usually lower price volatility just as if it were a bond hedge fund. It buys a portfolio of inflation-linked government bonds to cover most of its liabilities and then uses those low-risk assets as collateral to borrow money, which it then invests in higher return assets like equities.

The pensions regulator is happy with this because, in general, the strategy substantially decreases the chance of the scheme failing to deliver on its liabilities. However, the regulator also says pension funds are only allowed to borrow small amounts. Therefore, the fund manager usually outsources this part of the portfolio to an investment bank using a 'total return swap'. This derivative generally requires little actual payment upfront, but it does require a daily flow of cash to balance potential gains and losses, or its 'margin'. 'Potential' is the key word here – should short-term volatility increase, the margin has to go up by more than just the profit-and-loss movement.

As well as protecting against movements in inflation, LDI protects pension funds from falls in general expected returns, provided government bond real yields are in a reasonably stable relationship with equity returns.

LDI is designed so that the money needed for margin calls is drawn from the general portfolio, and in periods of fast yield rises this results in funds being drained of their liquidity. This was already happening back in July, long before Kwarteng's mini-budget.

For months, the collateral demands on pension funds have been climbing higher on the back of bond market volatility. Funds were already low on liquidity when, all of a sudden, the previous week's fiscal event hit them with sharply higher margin calls. They became forced sellers, having to shed their bonds to meet margin payments. Given the size of the LDI market, this led to intense downward pressure which became self-sustaining. As in a classic liquidity trap, forced selling begets forced selling, to the point where there are no buyers left in the market.

This is why the BoE was forced to intervene by becoming the buyer of last resort, which looks, feels and smells a lot like the return of quantitative easing (QE). At a time of extensive inflation and fiscal imprudence, a central bank *increasing* the money supply looks like madness. Indeed, some have criticised the BoE for exactly this, lamenting that it contradicts the stated goal of monetary tightening. But as BoE officials saw it, they had no choice: left unchecked, pension fund selling could have spiralled out of control and lead to a full-blown financial crisis.

As such, we should not read the BoE's bond-buying as anything other than a short-term safety net. It effectively and professionally stepped in to prevent the financial fallout from the mini-budget from snowballing into an existential crisis threatening the UK's financial system. BoE officials have already said they will unwind these purchases once risks have subsided, and we suspect they are eager to do so. What this does show is the enormity of the problem – not just for UK bond traders but for markets more widely. Downing Street is already under pressure to reverse its decisions, or at least offset them by some other means. Unless Kwarteng indicates something along those lines soon, expect his rocky start to get even rockier.

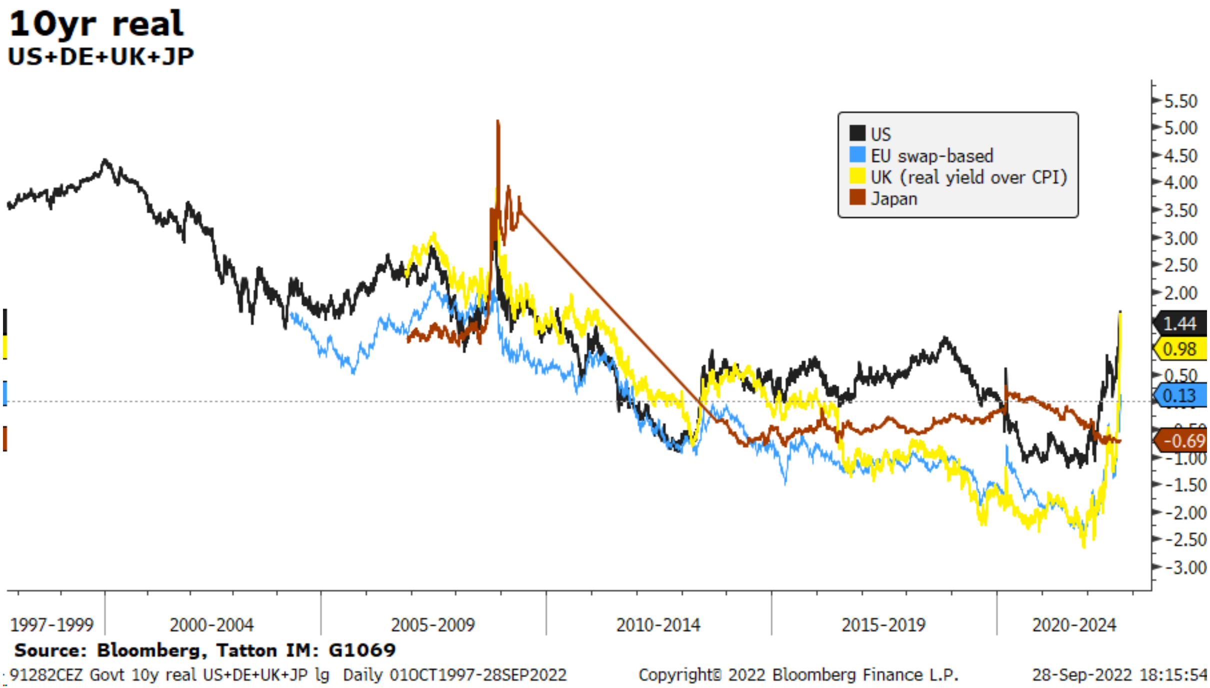
Global bond market rout – a perspective

Bond traders are still reeling from events last week. The UK government delivering the biggest tax cuts in decades – without any indication how fiscal prudence will be regained down the line – sent gilt yields soaring. But the fallout stretches far beyond London. Earlier last week, Raphael Bostic, President of the Atlanta branch of the US Federal Reserve (Fed), noted global markets were feeling "increased uncertainty" in the wake of Britain's surprise fiscal loosening. Asked whether the situation increased the risk of a global recession, Bostic lamented: "I think it doesn't help".

That seems to sum up the attitude of global investors. While UK-based clients will clearly be worried about the weakness in sterling and gilts, globally diversified portfolios – like the ones we manage on behalf of our clients – have a relatively low exposure to UK assets and are therefore less sensitive to Britain's specific issues. For markets more generally, the real danger lies in financial collapse and contagion, although given the BoE's emergency intervention in longer-dated bond markets last week, that now looks unlikely. Even so, it is an unwelcome additional headwind, particularly given the fragile state of global bond markets.

Central banks have tightened financial conditions in the face of soaring inflation, draining liquidity and making risk assets less attractive by comparison. The situation is playing out differently on both sides of the Atlantic. The Fed is grappling with a cyclical wage-inflation problem while Europe faces a much sharper energy supply contraction. But in both cases, financial conditions are getting tighter.

Regular readers will know we focus on inflation-adjusted or real bond yields rather than nominal rates, as these are more closely tied to market expectations and risk asset valuations. The chart below shows that US real yields are notably higher than other major regions. After a torrid week, UK real yields are catching up, but are still below their American counterparts.



Clearly, the trend this year has been sharply upwards, and US real yields are now at their highest point since 2011. Interestingly though, this is still well below the trend before then. On an even longer-term basis, real yields averaged just above 2% for the last 50 years and were consistently above that for periods in the 1960s and 70s. For all the talk of runaway inflation, Fed hawkishness and looming credit stress this year, we are still significantly below the historical average of cost of capital.

Still, after more than a decade of easy money, the world's major capital markets are feeling the squeeze of rising yields caused by surprisingly strong and persistent US growth. As a result, bond values have fallen and risk assets like equities look relatively less attractive. Meanwhile, the tighter financial conditions and higher input costs from the energy price shock are casting a shadow over the near-term outlook for corporate profitability. In the US, where the post-pandemic economic recovery is going better than elsewhere, these pressures are much less pronounced. American companies do not appear burdened with unmanageable debts, nor have they been particularly affected by weak global demand, as the energy price crisis has affected the US much less due to its relative energy self-sufficiency. Despite some signs to the contrary earlier in the year, US businesses are still motoring along, and employment remains strong.

This tight labour market means the Fed has had to push real rates high enough to squeeze inflationary growth. But that has meant higher real returns on US debt, which has substantially pushed up the value of the dollar. This has led to currency weakness elsewhere, increasing inflation and putting pressure on other central banks to follow suit. To add to that, non-US growth has clearly deteriorated substantially – the UK being a prime example.

In this environment, it is hard to see dollar strength ending or reversing any time soon. But if the world's reserve currency does stabilise, other supply-side inflation pressures would lessen. We have already seen signs that oil and other commodities (outside of European natural gas) have lost steam. Many emerging markets – having tightened earlier and harder than developed market counterparts – are already looking toward easing financial conditions. Asian countries, despite not going through that same tightening cycle, face nothing like the inflation pressures elsewhere, and yields are stable or falling – as evidenced by Japan in the previous chart.

The European Central Bank (ECB) is the furthest behind in its interest rate cycle. This, combined with a fear that energy prices might continue to rise, has prevented European markets from improving despite the recent fallback in commodities. Investors seem unwilling to believe there is much if any downside to longer-term yields – as typically long yields do not start falling until rates are close to their expected peak.

It is possible that weak global demand might eventually hurt US companies, lowering earnings growth for the third quarter of this year. That would be a clear sign of slowing in the world's largest economy and would put downward pressure on equity prices. So far, stock market falls have been driven by rising real yields and subsequent valuation falls. Earnings have held up well, but should that change, we could be in for a different type of downturn to the one we have seen so far – which has largely come from falling risk appetite.

It is hard to see bond prices turning around until US earnings are on a clear downward trend, which would signal to the Fed that it can loosen its grip. The previous week, Fed members stated the so-called "neutral" unemployment rate should be around 4.5%, well above the current 3.6%. This tells us they are determined for earnings to weaken, and a recession has always followed unemployment rises of 0.5% or more. US growth has brushed off the many global challenges it has seen this year; the Fed may therefore have to provide a shock of its own to dent confidence.

Markets are poised for this. Yield curves (the difference between long and short-term yields) are inverted, and credit spreads are high (though not quite high enough to indicate a looming downturn). Bonds are unlikely to rally until the Fed has sufficiently cooled the labour market.

That being said, current real yields are attractive and, if they are seen as stable at these levels, there will be plenty of willing buyers. When looking at lower yields and worse growth outlooks elsewhere – like in the UK – it is easy to see why. Those in shorter maturity bonds might soon be tempted into longer maturity assets. Yields still have the potential to rise – but the peak may be in sight.

For investors who have seen more painful losses from the government bond proportion of their diversified portfolios than the equity part and wonder whether bond values have entered a long-term secular downtrend, it is important to recognise that fixed interest bonds have very different underlying characteristics than equities. Most importantly, Western governments do not tend to default as companies sometimes do. The excessive volatility seen over the past 12 months is not a reflection of weakening governments' solvency but rather this asset class's ability to protect and grow investors' purchasing power in differing inflationary environments.

In the current high inflation environment, bonds with historically low interest coupons cannot compensate holders against the fall in purchasing power of the underlying currency, and therefore have declined in value. This has been just the reverse of the exceptional rise in value they saw in the previous decade when coupons overcompensated holders for very low levels of inflation. In other words, the value gains beyond the return from interest payments that accumulated over a long time from ever-declining yields has now been sharply reversed as yields have sprung back up – while the underlying nominal amount of the bonds has always been (and will be) redeemed.

When yields stop rising as growth and inflation pressure recede – and we indeed get close to the peak – the 2022 pains for bond holders should wane. However, as we experienced last week, episodes of ill-judged political action still have the potential to trigger periods of further downside volatility that are not reflective of the medium-term stabilisation trend in yields.

CAMBRIDGE
INVESTMENTS LIMITED

3rd October 2022

Global Equity Markets

Market	Fri 16:56	% 1 Week*	1 W	Technical Short	Technical Medium
FTSE 100	6894	-1.8	-125	↘	⇘
FTSE 250	17168	-4.5	-804	↘	↘
FTSE AS	3763	-2.2	-85	↘	↘
FTSE Small	5878	-3.6	-218	↘	↘
CAC	5762	-0.4	-21	↘	↘
DAX	12114	-1.4	-170	↘	↘
Dow	29114	-1.6	-477	↘	↘
S&P 500	3643	-1.4	-50	↘	↘
Nasdaq	10772	-0.9	-96	↘	↘
Nikkei	25937	-4.5	-1217	↘	⇘
MSCI World	2401	-1.5	-37	↘	↘
CSI 300	3805	-1.3	-51	↘	↘
MSCI EM	873	-3.6	-33	↘	↘

Top 5 Gainers

Company	%
Hikma Pharmaceuti	+12.8
Fresnillo	+11.4
Burberry	+10.3
Antofagasta	+7.0
Ashtead	+6.7

Top 5 Decliners

Company	%
Barratt Developments	-15.7
Rightmove	-15.7
Ocado	-14.6
Taylor Wimpey	-14.4
Next	-12.5

Currencies

Pair	last	%1W
USD/GBP	1.112	+2.4
GBP/EUR	0.879	+1.5
USD/EUR	0.978	+0.9
JPY/USD	144.74	-1.0
CNY/USD	7.116	+0.2
Bitcoin/$	19,677	-9.3

Commodities

Cmdty	last	%1W
Oil	88.17	+2.3
Gold	1670.5	+1.6
Silver	19.195	+1.7
Copper	342.6	+1.6
Aluminium	2197.0	-1.4
Soft Cmdties	219.82	-1.5

Global Equity Market - Valuations

Market	Div YLD %	LTM PE	NTM PE	10Y AVG
FTSE 100	4.1	9.9	8.4	14.3
FTSE 250	4.0	7.5	11.9	16.3
FTSE AS	4.0	9.4	8.6	14.5
FTSE Small x Inv_Tsts	4.1	6.2	9.1	15.4
CAC	3.4	11.3	9.2	15.2
DAX	3.8	11.7	9.9	13.7
Dow	2.3	15.2	15.6	17.0
S&P 500	1.8	17.4	16.3	18.3
Nasdaq	1.0	20.4	24.2	24.3
Nikkei	2.2	14.4	14.2	17.8
MSCI World	2.3	14.3	14.4	17.1
CSI 300	2.3	12.9	12.4	12.8
MSCI EM	3.4	8.8	10.6	12.7

Fixed Income

Govt bond	%Yield	1 W CH
UK 10-Yr	4.09	+0.27
UK 15-Yr	4.21	+0.14
US 10-Yr	3.74	+0.05
French 10-Yr	2.72	+0.12
German 10-Yr	2.11	+0.08
Japanese 10-Yr	0.24	+0.01

UK Mortgage Rates

Mortgage Rates (Nationwide)	30-Sep	31-Aug
Base Rate	2.25	1.75
2-yr Fixed Rate	5.90	3.64
3-yr Fixed Rate	5.90	3.74
5-yr Fixed Rate	5.40	3.61
10-yr Fixed Rate	5.10	3.73
Standard Variable	4.89	4.89

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* The *% 1 week* relates to the weekly index closing, rather than our Friday p.m. snapshot values

** LTM = last 12 months' (trailing) earnings;
***NTM = Next 12 months estimated (forward) earnings

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3rd October 2022

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The value of your investments can go down as well as up and you may get back less than you originally invested.

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