



GOLD AND OIL RISE AS UKRAINE STRIKES RUSSIA WITH UK AND US-MADE MISSILES

This week markets have taken on a more cautious mood due to concerns about an escalation of war in Ukraine. The use of US and UK-made missiles to strike inside Russia raises the risk of the conflict spiralling as the outgoing US government tries to boost Ukraine's bargaining position in advance of Donald Trump's return in January. Heightened tensions have driven up safe-haven currencies such as the US dollar and Swiss franc. Developed government bonds have risen, despite rising inflation in the UK and EU, and gold has resumed its rise after a couple of weeks hiatus.

In the UK, weaker retail sales and deteriorating Purchasing Managers' Indices add to the gloomier picture for economic activity. However, there are some positive signs. Consumer confidence defied expectations of further weakness and consumers turned more positive after a noticeable downturn in the run up to the budget. Although retail sales fell slightly month on month, the annual UK retail spending growth rate is running above 2% as we approach the key Black Friday and Christmas shopping period.

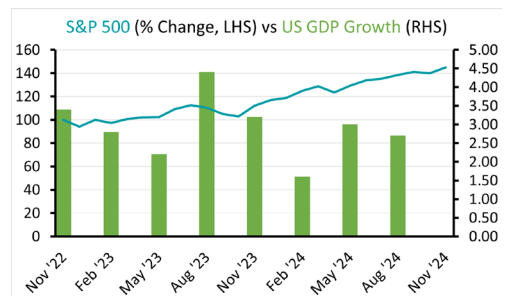
THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	MSCI Europe	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Iron Ore	GBP USD
+1.75%	-0.01%	-0.93%	-0.05%	-1.01%	-0.08%	-0.07%	+3.75	+6.46%	-0.20%	-1.30%

STOCKS: NVIDIA EARNINGS ROUND OFF STRONG US EARNINGS SEASON

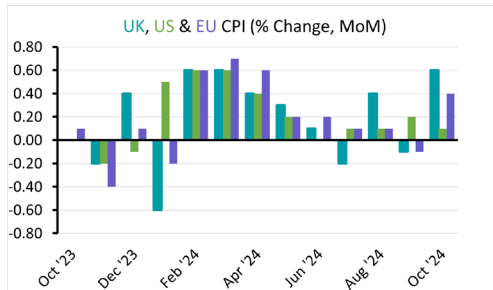
Nvidia reported a 94% year-on-year increase in revenue for the third quarter, reaching \$35.1bn, surpassing analysts' expectations of \$33.25bn. Despite these impressive figures, Nvidia's stock experienced a 1.4% decline in after-hours trading, reflecting Wall Street's high growth expectations. Nvidia's new Blackwell chips have been selling like hot cakes, despite overheating issues, and data centre revenues soared by 112% to \$30.8bn. The company is racing to keep up with demand from Silicon Valley tech firms and countries from Saudi Arabia to Denmark, pouring money into AI. Nvidia's market value now stands at \$3.6 trillion, representing 7% of the S&P 500 index. It accounts for 24% of the index's gains this year.

Nvidia's earnings rounded off a good US earnings season where banks and big tech, in particular, outdid expectations. Almost 75% of S&P 500 companies reported earnings above analyst forecasts for the last three months. This is in line with the 10-year average.



UK: INFLATION TURNS HIGHER DRIVEN BY RISING ENERGY COSTS

Headline inflation in the UK jumped from 1.7% to 2.3% in October, partly due to an increase in domestic energy bills. Core inflation (excluding volatile energy and food prices) increased but the rise was more modest as it rose from 3.2% to 3.3%. Housing costs also increased as CPI plus housing inflation increased from 2.6% to 3.2%. Inflation was widely expected to rise over the autumn but the increase was bigger than forecast. In an appearance in Parliament, Bank of England Governor Andrew Bailey said the bank needed to take a gradual approach to further rate cuts due to higher inflation and the potential for changes to employers national insurance to add further inflationary pressures. The Bank now forecasts inflation will be 2.7% at the end of 2025.



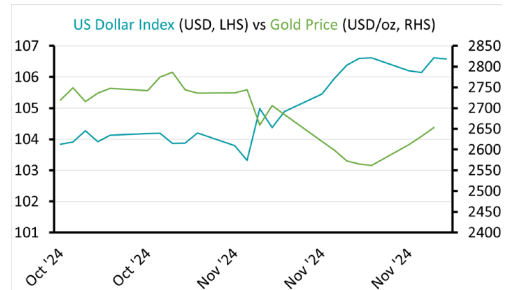
Inflation has also risen in Europe as the headline rate increased from 1.7% to 2%. Due to differences in domestic energy markets, European energy costs are still falling on an annual basis but services inflation remains elevated and food prices have risen.



GLOBAL: RUSSIA UKRAINE WAR ESCALATION DRIVES DEFENSIVE ASSETS

Investors have reacted to the escalation in the conflict between Ukraine and Russia with a move into more defensive assets. Ukraine hit targets within Russia using UK and US-made long-range missiles for the first time. The US is also providing landmines for use against Russian troops. In response, Russia lowered its threshold for the use of tactical nuclear weapons and attacked Ukraine with an intercontinental ballistic missile for the first time. The escalation comes as the Biden government attempts to bolster Ukraine in advance of Donald Trump's return to the White House in January.

The escalation caused UK, US and German bond yields to fall as prices were pushed up by investors looking for a safe-haven. Other defensive assets which rise when investors turn cautious also benefited this week. The price of gold fell sharply after Trump's re-election but it has climbed steadily this week. The US dollar has made further gains against most currencies, while the Swiss franc, another traditional safe-haven, gained against the dollar.



Data sourced from Investing.com, Statista, USA Gold, European Central Bank, US Bureau of Labour Statistics and Office for National Statistics

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