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CHARTERED WEALTH
MANAGEMENT

Market Environment

Q1 2022



Global equities fell in aggregate over the first quarter of 2022. Investors sold shares, concerned about the Russian invasion of Ukraine, as well as the impact of rising interest rates and accelerating inflation. Geopolitical tensions between Ukraine and Russia weighed initially on markets in January, but the biggest falls came on 24 February when Russian troops invaded Ukraine and launched attacks. While the incursion continued throughout March, investor confidence recovered from the initial shock, and global markets generally rebounded. US equities were particularly strong in March but fell overall for the quarter, amid poor performance for technology stocks in the first two months. European equities were hardest hit by the conflict, whereas the UK market posted a positive return overall, boosted by its exposure to energy and commodities companies. Japanese indices fell but by less than other developed peers.

Central banks continued to withdraw market support over the quarter, signalling higher interest rates to come in 2022, amid rising inflation rates. The Bank of England raised rates twice over the period to reach 0.75%, while the US Federal Reserve (Fed) increased the US federal funds rate by 0.25 percentage points. The European Central Bank announced a quicker tapering of its asset-purchase programme, even as the region faces threats from the Ukrainian invasion. In response to the hawkish moves, investors continued to sell government and corporate bonds, pushing yields higher. At one point, the US yield curve briefly inverted, as the two-year yield rose above 10-year bond yields, which analysts interpret as a sign of a coming recession.

UK commercial real estate gained 6.7% over the three months to the end of February (the latest data available), according to the MSCI UK monthly index. All sectors rose, with industrials the strongest at 11.4% and hotels the weakest at 1.6%, while retail continued to bounce back from the Omicron shock, returning 5.2%.

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