
## Market Commentary

This month has been dominated by the devastating Russian invasion of Ukraine and inflation, which are becoming increasingly interlinked. Oil soared in price as the White House announced embargos on Russian energy products, and gas has seen volatility as various threats have been made about Russia cutting off supplies. Most recently, this has been linked to Putin's demand that Russian gas be paid for in Roubles. Other commodities, such as nickel and aluminium, have also surged in price and supply chain recovery has been hampered.

This leaves central banks in a very tricky position. There is a real risk of stagflation, where prices continue to rise at the same time as growth slows and employment declines. The Federal Reserve raised rates for the first time since 2018 and implied a further six rate hikes this year. Rhetoric out of the US is hawkish on this, and Powell assured Americans it won't tip the economy into recession. The US economy is strong and able to withstand higher rates, and they are less directly affected by the events in Ukraine. Nonetheless, growth was downgraded due to the knock-on effects, and we have seen recession signals emerging in the bond market with an inversion of the US yield curve.

Comments from the UK's Monetary Policy Committee (MPC) took a very different tone and have been interpreted as dovish. They pointed to the impending cost of living squeeze that will hit growth and increase unemployment. The growth forecast for 2022 was cut to 3.8% from a 6% forecast in October 2021. Markets unwound some of their bets on an aggressive approach, and expectations are now much more in line with the view we have held. We anticipate one more rate hike in May and then a period of reflection to see how the economy reacts.

Rishi Sunak's attempts to alleviate concerns about the cost of living, as energy bills and national insurance rises, has come under intense scrutiny. Living standards are expected to fall at the fastest annual rate since the mid-50s and real household disposable incomes will fall by 2.2% per person. From April, the Resolution Foundation has estimated that 1.3 million will not be able to afford basic necessities and only those earning more than £49,000 a year will end up paying less tax 2 years from now. We expect there will be some surprise announcements with the government finances in a better position than forecast. Maybe ahead of the local elections in May, or more likely a bigger package ahead of the next general election as the conservatives try and leave scandals such as 'partygate' in the rear-view mirror.

It is therefore, of no surprise, that the future outlook is bleak and the MPC will have no option but to take a less aggressive approach despite an estimated average inflation rate of 7.2% this year. Further to this, the government has also decided to end this month the support schemes that sustained companies during the pandemic. Some business in the hospitality sector are already capping capacity, reducing hours and even closing on certain days of the week as a consequence of higher wages and energy costs.

Elsewhere in Europe, the economy is becoming increasingly strained by the war in Ukraine. The largest economy, Germany, is one of the most reliant on Russian energy. They too have seen their growth forecast cut, more than halving to 1.8%. ECB President Lagarde also warned that the economy could suffer more than feared, where confidence is plummeting, growth is stalling and inflation is soaring. ECB rate hikes still seem a way off, coming potentially towards the end of the year. But Lagarde speaks of acting gradually and carefully, not making long term commitments and monitoring closely effects of any policy changes.

Covid infections have taken a back seat, but new infections have been on the rise. The UK workforce is being disrupted by isolation of staff, whilst places in Asia, including pockets of China have brought in restrictions as cases have risen, prompting fears of further supply chain snarls.

The crisis in Ukraine has led to many countries reconsidering their reliance upon Russian gas and oil. The likely consequence of this is an acceleration in the adoption of renewable energy forms. As well as the obvious environmental benefit of renewable energy forms, the more equal spread of the resources that energise it can reduce dependence upon a couple of key suppliers.

## Ethical News

Builders Merchants **Jewson's** branch in Wishaw, North Lanarkshire, has become the national builder's merchant's first ever net zero carbon site. The Wishaw branch has been completely redeveloped, making it net zero carbon and reflective of the company's dedication to reach net zero emissions by 2050. The changes were supported by Jewson's parent company, **Saint-Gobain**, and its Carbon Fund, which awarded the branch nearly £240,000 towards the redevelopment. The funding has allowed the branch to generate its own electricity through renewable energy, and improvements include the addition of solar photovoltaic panels on the roof, air source heating, and a heat recovery system to capture waste heat within the building.

Shampoo, conditioner and laundry detergent are set to be made from low-carbon hydrogen, in a pioneering demonstration project launched yesterday at **Unilever's** Port Sunlight factory near Liverpool. The trial, part of the wider HyNet Industrial Fuel Switching program which aims to help decarbonise heavy industry in the North West of England, is believed to be the first large-scale demonstration of 100 per cent combustion of hydrogen in a consumer goods production environment. As part of the trial, 100% hydrogen and a mixture of natural gas and hydrogen will be used to power a boiler that provides steam for the production process of Unilever products, including Tresemme haircare and Persil laundry detergent

Hundreds of new **EV chargers** are to be installed across North and East London, following a landmark agreement between **Uber** and three London boroughs. Over 700 fast EV chargers will be installed on the streets of Newham, Brent, and Redbridge. The new chargers are the result of a £5m investment from Uber, working in close collaboration with each borough to determine where the chargers should be installed. These on-street charging points will improve access for those without driveways or home chargers.

Work has begun on a £25m project to build the world's largest "vertical farm" in Norfolk - aiming to blaze a trail for sustainable food production. The site, currently under construction at the Food Enterprise Park at Easton, will create 25,000sqm of stacked growing space for salad leaves, herbs and other fresh produce for supermarkets. **Fischer Farms**, the company behind the project, claims it will be able to produce the same amount of food in its four-acre building as would be possible on 1,000 acres of conventional British farmland.

Finally, according to a report by independent climate think tank **Ember**, the world generated a record 10% of its electricity from wind and solar in 2021, and clean sources accounted for 38% of total power supply, even more than Coal. The report found that 50 countries were generating more than 10% of their power from wind and solar, with the fastest transformations happening in the Netherlands, Australia and Vietnam. Ten countries generated more than 25% of their power from wind and solar, led by Denmark at 52%.

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