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Everything Ethical Newsletter – June 2022

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Market Commentary

Stocks sank into bear market territory for the year as increasingly hawkish rhetoric in the United States suggested that central bankers had lost control of the situation, raising fears that inflation is becoming entrenched.

As a result, global central banks are pursuing a more aggressive policy stance, which once again lead to another tough quarter for investors. The all-country world equity index declined around 9% for the month, whilst the sterling corporate bond index declined just under 7%.

Just weeks after suggesting they wouldn't, the Federal Reserve hiked interest rates by 0.75%, the largest hike in nearly 30 years. Chair Powell gave acknowledgement that steep interest-rate hikes could tip the economy into recession and admitted that a soft landing was "very challenging". In the run up to the decision, investors rushed to price this possibility in which caused some brutal days in the market. Two-year Treasury yields reached 15-year highs and the dollar strengthened.

In the UK, the BoE raised interest rates by 0.25% to 1.25%. Three members voted for a larger increase of 0.5% and the committee says that they will "act forcefully" on inflation if needed, which they now see peaking in October at slightly above 11%. Economic data suggests the economy is already wobbling; GDP fell by 0.3% where growth of 0.1% had been expected. Furthermore, the ILO measure of unemployment unexpectedly rose when it had been forecasted to fall.

In contrast, the ECB decided to leave rates unchanged but paved for the way for them to begin in July. They were concerned about potential "fragmentation" in the financing costs of individual member states within the Eurozone as a result of ending bond purchases and raising rates. The gap between Italian and German 10-year yields rose to levels not seen since the early stages of the Covid-19 pandemic. This led to them calling an emergency ad-hoc meeting a week later, which turned out to be of little substance, although it did reduce the spread in yields.

In light of the continued Russian invasion of Ukraine, NATO has agreed to the biggest upgrade of its military presence in Europe since the end of the Cold War. It also identified China's increasing military presence as a "challenge", whilst Turkey dropped their opposition to Finland and Sweden's membership bids. Russia has continued to use its energy sources as a weapon and as a consequence, Germany is preparing to trigger the second stage of a three-stage gas emergency plan which may mean passing on higher prices to industry and households. In a

similar vein, not many European officials are hopeful that Russia will be willing to ease global food pressures. They believe that the Kremlin views this crisis as leverage against Kyiv and its allies.

It has been an eventful month politically, with a cost-of-living crisis that is beginning to bite causing growing discontent, not just in the UK but globally. We have read some deeply saddening reports such as people asking to have their shop cut off at £30 in supermarkets. We are seeing Unions mobilise and growing calls for strike action in various sectors. Whilst Prime Minister Boris Johnson survived a vote of no-confidence, he lost two by-elections, one of which in a historically safe Tory constituency. On top of this, the government has introduced legislation scrapping post-Brexit trade rules between Great Britain and Northern Ireland. A move the EU's chief negotiator described as effectively "putting a gun on the table".

Ethical News

Electric ferry Ellen completed a record-breaking distance between charges. On the 9th June 2022, Ellen completed 50 emission-free nautical miles (92 kilometres). The ferry, that normally connects the islands of Aero and Als in Southern Denmark was hired on the day by Danish multinational Danfoss in connection with the International Energy Agency, having its annual conference in Sonderborg. Ellen can carry 30 vehicles and 200 passengers.

RenewableUK's latest **EnergyPulse** market intelligence data report shows that the global pipeline of offshore wind projects has almost doubled over the past twelve months, from 429 gigawatts of capacity a year ago to 846GW today. The pipeline includes projects at every stage of development: operational, under construction, consented or planned. China has the biggest offshore wind project pipeline at 98GW, the UK is in second place at 91GW (up from 55GW a year ago) and the USA is third with 80GW. Germany is fourth at 57GW. Other countries with major pipelines include Brazil, Sweden, Ireland, Vietnam and South Korea. Europe has a pipeline of 350GW (with 26GW fully operational) and the pipeline in countries outside Europe stands at 496GW.

A Cheshire chemicals factory is to start capturing carbon dioxide on an industrial scale from energy generation in what is described as the UK's first major use of the emissions-reduction technology. **Tata Chemicals Europe (TCE)** hopes to capture 40,000 tonnes of the greenhouse gas per year, reducing its annual emissions by 10% and providing it with a supply of high-purity carbon dioxide that could be used in products ranging from glass and washing detergents to pharmaceuticals and food.

Waitrose becomes the first UK supermarket to scrap coloured milk caps in all its shops across the UK. This means that the bottle and cap can now be recycled together in a "closed loop" system allowing the caps to be recycled and reused as food grade material which was not possible with the coloured caps.

Shoe maker **Clarks** has partnered with resale collective **Dotte**, the UK's peer-to-peer marketplace where parents can buy, sell, donate and recycle outgrown children's clothing and accessories. Under the partnership, Clarks' customers will be rewarded with a 15% discount voucher to spend on its website for reselling its branded children's outgrown shoes. The footwear giant says that those who sell an item on the Dotte platform will be gifted with money off the brand's new stock "as a 'thank you' for keeping their garments in circulation, in turn reducing waste and minimising the impact of fast fashion by extending the lifespan of the brand's garments".

Finally, building materials company **Tarmac** has placed an order with Renault Trucks for the first battery-electric concrete mixer truck in the UK. The electric mixer is expected to arrive at Tarmac's Washwood Heath site in Birmingham this autumn. The truck, which will be manufactured in Motherwell, will have the ability to fast charge within two hours if needed and has a 265kWh battery with a guarantee of up to 10 years operation.

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