

## Weekly Bulletin: The 'Virus Grinch' steals Christmas

### Key takeaways

In the UK, news of a more virulent strain of the COVID-19 virus and increases in the hospitalisation rate, led to a last-minute change in the rules around household gatherings over Christmas, while hopes for a Brexit deal faded. There was more positive news from the US though as a new \$900bn relief package was confirmed on Sunday.

- Europe is once again the epicentre of the pandemic with a new virulent strain being identified in the UK. In a weekend announcement, the Prime Minister put London and the South East into Tier 4 restrictions – effectively lockdown – and tightened the rules elsewhere. The devolved nations also introduced tighter restrictions. Christmas plans for millions have now been squashed.
- Supply chains are coming under pressure as many countries have banned travel from the UK, and France has put a 48-hour block on freight transport across the English Channel. European stock markets opened lower today in response, with travel and energy shares unsurprisingly hardest hit.
- On a more positive note however, the rollout of the vaccine continues apace, with the Moderna drug being approved for use in the US. The country is the first to have approved the vaccines from both Pfizer/BioNTech and Moderna.
- Remaining in the US, it was confirmed on Sunday that US Congressional leaders have agreed on the terms of a roughly \$900bn fiscal relief plan to help the US economy weather the pandemic. This is the second largest economic relief package in US history (after the \$2.2tn Cares Act in March). It comes at a crucial time for the US economy: economic data released last week showed that the recovery is losing some momentum amidst rising COVID cases and renewed restrictions in activity.
- In Asia, China continues to demonstrate a 'V-shaped' post pandemic economic recovery with sharp recoveries in industrial production and retail sales, while Japan's economy is quietly starting to improve and driving increased returns in its stock market.
- Alongside emergency consultations on the pandemic, the UK government will this week continue Brexit discussions. The Prime Minister gave a downbeat assessment of the talks last Thursday with European Commission President von der Leyen. He has said the trade talks are in a serious situation and reiterated the warning that a no-deal scenario is very likely. The main sticking point remains the longstanding row over fishing rights, but the UK has also raised issues over the EU's €750bn recovery package. At the end of last week, UK Cabinet Office minister Michael Gove told a committee of MPs that he put the chances of a trade deal with the EU at "less than 50%".

### Weekly market moves

Stock markets moved higher last week, but the translation effects of a stronger pound meant negative returns for sterling investors across many markets.

Sterling strength also dragged down the share prices of large UK companies (which generate the majority of their revenue overseas), while more domestically-focused smaller UK companies did well.

Elsewhere, bond yields moved higher (prices fell), gold was flat and oil continued to recover.

### What to look out for this week

Brexit negotiations are continuing although significant differences still remain, suggesting that the likelihood of a deal is fading.

The Prime Minister will chair an emergency meeting today on travel and freight distribution given the EU's latest bans on travel from the UK, which will disrupt any last-minute distribution and shipping of goods ahead of the 31 December Brexit deadline.



The next Weekly Bulletin will be published on Monday 4 January 2021.

Wishing you all a Merry Christmas and a Happy New Year.



## Market moves (as at 18 December 2020)

	Index Levels	Last Week	Month to Date	Year to Date
<b>Equity</b>				
MSCI United Kingdom	1,830.7	-0.3%	4.2%	-12.2%
MSCI United Kingdom Mid Cap	1,244.7	2.4%	4.4%	-4.0%
MSCI United Kingdom Small Cap	417.8	3.3%	5.0%	-6.6%
MSCI World (GBP)	1,994.8	-0.3%	2.3%	13.4%
S&P 500 (GBP)	3,709.4	-0.8%	1.5%	14.8%
MSCI Japan (GBP)	1,093.9	-0.8%	1.9%	11.6%
MSCI Europe ex-UK (GBP)	1,424.4	0.6%	2.7%	8.9%
MSCI Pacific ex-Japan (GBP)	1,612.1	-1.0%	3.4%	3.9%
MSCI Emerging Markets (GBP)	70,502.0	-1.1%	4.3%	14.4%
<b>Bonds</b>				
BoA Merrill Lynch Conventional Gilts	1,414.7	-1.1%	1.0%	8.1%
BoA Merrill Lynch Index-Linked Gilts	629.7	-1.1%	0.5%	11.3%
BoA Merrill Lynch £ Corporate	479.7	-0.5%	1.1%	8.1%
<b>Commodities</b>				
Oil (West Texas Intermediate, GBP)	\$49.1	3.2%	7.5%	-21.1%
Gold (GBP)	\$1879.8	0.0%	5.6%	21.9%
S&P / GSCI (GBP)	1,969.9	1.5%	4.5%	-25.3%

Past performance is not a reliable indicator of future results. The value of investments may fall as well as rise. All performance returns are in GBP, while all index levels are in local currency.

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