

## Weekly Bulletin: Global stock markets end May on a positive note

### Key takeaways

Stock markets around the globe rebounded over the past week as inflation fears faded a little and economic data indicated that the recovery continues.

- Investors last week took a more relaxed view of inflation risks, despite a greater-than-expected rise in a key US inflation measure. The core personal consumption expenditures price index, closely watched by the US Federal Reserve (Fed) as their preferred inflation series, rose 0.7% month-on-month in April, the second highest monthly increase since 1981. Year-on-year, the increase was 3.1%. Several Fed officials stated that they wouldn't be surprised to see supply chain disruptions push prices up in the coming months, but that much of those increases should prove temporary. However, should higher inflation turn out to be longer-lasting, economic stimulus from central banks (which has had a positive impact on risk assets like shares) will be eased back.
- Other economic data released last week was somewhat of a mixed bag. In the US, weekly jobless claims fell more than expected to a new pandemic-era low of 406,000, while personal consumption expenditure returned to pre-COVID-19 trends, despite government support programmes winding down. Consumer confidence continues to recover, but has plateaued somewhat as rising inflation and reducing support programmes take a toll on future expectations. Europe's recovery continues apace though; strong business confidence data from Germany last week provided more evidence of economic recovery across the region.
- Meanwhile, vaccine rollouts and falling COVID-19 cases remain a positive for markets with cases in developing countries falling sharply (including Japan slowing again) and India continuing to see a decline. Vaccine production is ramping up and there should be plentiful supply by early 2022, but so far only 11% of the global population has received at least one dose of the vaccine. In emerging countries it is 8% and 38% in developed countries. Within developed countries the UK is at 58% which is nearing herd immunity (allowing for only adults and those who have already been exposed), the US is at 51% and Europe is at 36%. In a separate development, President Biden's call for an intelligence review into the source of COVID-19 could have geopolitical ramifications.
- Looking ahead, recent data from the latest manufacturing and service sector surveys (Purchasing Managers' Indices - PMI) indicate that the global recovery remains on track. In the US, the Chicago PMI came in at 75.2, well into expansionary territory (which is any reading over 50), while in China, services data was strong, driven by construction and holiday spending, with manufacturing data slightly less so, given weaker export demand and higher commodity prices.

### Weekly market moves

There was positive performance across all the major asset classes supported by strong risk appetite from investors.

Stock markets continued to make healthy gains with smaller companies in both the US and UK performing particularly well.

Bonds also made gains, as yields declined and investors appeared to be reassured by the Fed's comments on inflation (Bond prices and yields move in opposite directions).

### What to look out for this week

In the US, manufacturing and services conditions indices are expected to remain strong and jobs data is anticipated to show a rise in payrolls and a fall in unemployment.

Conversely, eurozone unemployment for April is expected to remain high and core CPI inflation for May to remain weak.

The G7 finance ministers meet in London at the end of the week.

## Market moves (as at 28 May 2021)

	Index Levels	Last Week	Month to Date	Year to Date
<b>Equity</b>				
MSCI United Kingdom	1,972.2	-0.1%	1.3%	10.9%
MSCI United Kingdom Mid Cap	1,359.7	0.6%	0.3%	10.0%
MSCI United Kingdom Small Cap	477.0	1.3%	0.5%	12.8%
MSCI World (GBP)	2,232.1	1.2%	-0.8%	7.7%
S&P 500 (GBP)	4,204.1	1.1%	-1.7%	8.6%
MSCI Japan (GBP)	1,192.5	1.5%	-0.1%	-1.3%
MSCI Europe ex-UK (GBP)	1,611.7	1.1%	2.2%	9.6%
MSCI Pacific ex-Japan (GBP)	1,774.2	1.9%	0.2%	7.9%
MSCI Emerging Markets (GBP)	75,481.2	2.3%	-1.2%	2.3%
<b>Bonds</b>				
BoA Merrill Lynch Conventional Gilts	1,332.1	0.9%	0.5%	-6.5%
BoA Merrill Lynch Index-Linked Gilts	611.9	2.1%	2.8%	-2.8%
BoA Merrill Lynch £ Corporate	465.9	0.6%	0.3%	-3.4%
<b>Commodities</b>				
Oil (West Texas Intermediate, GBP)	\$66.3	4.1%	2.0%	32.2%
Gold (GBP)	\$1900.0	1.2%	5.0%	-3.0%
S&P / GSCI (GBP)	2,490.9	2.4%	0.1%	21.5%

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