Handelsbanken
Asset Management

13 September 2021

Weekly Bulletin: Rising taxes hold the spotlight in the UK

Key takeaways

As new COVID-19 cases continued to climb on home shores, an increase to the UK's tax burden was announced, aimed at raising funds to support the NHS.

- The UK has jumped ahead of the other major economies by announcing higher personal taxes from next year, in order to fund health and social care spending. The plans, which will see a temporary increase to national insurance in 2022, ahead of a new 'Health and Social Care Levy' in 2023, are predicted to raise around £12bn per year towards easing the pressure faced by the NHS. Throughout the world, taxes are likely to head upwards in the near future, with the effects of the pandemic only serving to accelerate this process.
- As a new academic year begins, the spread of the COVID-19 virus is expected to continue to pick up. Hospital admissions have steadily risen in recent weeks, with the latest increase in cases being driven by 15-19 year olds. However, the younger and typically healthier demographic profile of those infected appears to be leading to better outcomes, with fatalities remaining muted. The combined effect of the UK's intensive vaccination rollout and increased natural immunity (due to prior infections) is also playing its part in lessening the relationship between COVID-19 case numbers and deaths. This in turn lowers the chances of the government re-imposing lengthy lockdown restrictions.
- On a global level, too, the number of reported COVID-19 cases appears to be plateauing alongside the number of related deaths. Indeed, in most major economies, vaccination programmes are progressing well. This should have knock on effects for financial markets, giving investors confidence that the Delta variant of the virus poses only a manageable threat to global growth for the time being. Of course, the world remains watchful for new variants, which could challenge this optimistic outlook.
- Against this backdrop, measures of momentum in the global economy remain at high levels by historical standards. This is likely to persist for a while, although we are seeing signs that we are moving on to the next phase of the economic cycle, where the pace of growth begins to level off. For now, bottlenecks in supply chains also remain an issue, though some well-reported events (such as the closure of a busy port in China last month due to a COVID-19 outbreak) may have had a lower impact than initially anticipated.

Weekly market moves

Global stock markets appear to have paused for breath in September, with Japan (a laggard for much of the year) the only major market to deliver positive performance last week in sterling terms.

Bond markets were quiet, though inflation-linked UK government bonds did well.

What to look out for this week

The next few days will see the release of key data from around the world. This will include inflation (CPI) data, industrial production and retail sales figures in the US, as well as a range of monthly economic updates from China, including factory data.

Throughout the week, we can expect more detail on President Biden's latest economic stimulus plan as it wends its way through the US political system.

Market moves (as at 10 September 2021)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	1,968.4	-1.6%	-1.2%	12.4%
MSCI United Kingdom Mid Cap	1,428.3	-1.2%	-0.7%	16.6%
MSCI United Kingdom Small Cap	493.8	-1.9%	-1.5%	17.5%
MSCI World (GBP)	2,356.8	-1.2%	-1.2%	16.1%
S&P 500 (GBP)	4,458.6	-1.6%	-2.0%	18.3%
MSCI Japan (GBP)	1,279.7	3.6%	6.0%	8.8%
MSCI Europe ex-UK (GBP)	1,682.0	-1.4%	-1.4%	14.2%
MSCI Pacific ex-Japan (GBP)	1,756.9	-1.0%	-0.3%	7.7%
MSCI Emerging Markets (GBP)	73,375.9	-0.3%	-0.6%	1.8%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,368.1	-0.1%	0.0%	-4.0%
BoA Merrill Lynch Index-Linked Gilts	664.0	2.3%	1.8%	5.5%
BoA Merrill Lynch £ Corporate	476.6	-0.1%	0.0%	-1.2%
Commodities				
Oil (West Texas Intermediate, GBP)	$69.7	0.7%	1.2%	42.3%
Gold (GBP)	$1794.6	-1.5%	-1.8%	-6.2%
S&P / GSCI (GBP)	2,601.9	0.2%	0.3%	29.8%

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.

Registered Head Office: No.1 Kingsway, London, WC2B 6AN. Registered in England No: 4132340. www.wealthandasset.handelsbanken.co.uk
Telephone: 020 7045 2600