

Weekly Bulletin: A roaring start to 2021 for US growth and businesses

Key takeaways

The US delivered strong economic growth data for the first quarter of the year, with yet more government support recently announced. Meanwhile, large US businesses continued to report a stellar start to 2021.

- US President Biden released the second portion of his economic plan on Wednesday. This includes \$1.8trn in new spending, as well as tax cuts over a 10-year period for workers, families and children. The latest instalment comes in addition to the \$2.3trn infrastructure plan announced at the end of March. Biden aims to fund this spending via a combination of income and capital gains taxes on the wealthiest Americans, as well as an increased crackdown on tax evasion.
- Last week's meeting and press conference for policymakers at the US Federal Reserve Bank saw no changes to the central bank's current ultra-accommodative policies. Taken together with Biden's spending plans, this ongoing government and central bank support should underpin US economic growth as well as financial market sentiment.
- Indeed, the latest data showed that the US economy grew by 6.4% (on an annualised basis) in the first quarter of 2021. It is worth noting that two rounds of government stimulus payments were sent out to Americans during this period; the bulk of this economic growth was driven by consumer spending, which surged by 10.7%. With economic activity now just 1% below pre-pandemic levels, the US (and, by extension, global) economic recovery continues at a pace unthinkable just six months ago.
- Continuing a big news week for the world's leading economy, we are now over halfway through the quarterly earnings reporting season for US businesses. Reported sales and earnings growth have been remarkable, delivering the highest level of year-on-year growth in earnings since Q1 2010. Last week's updates included the five largest companies in the US: Apple, Microsoft, Amazon, Facebook and Alphabet (Google's holding company), which continue to benefit from digitisation trends and more time being spent at home.
- The COVID-19 vaccine rollout is ongoing across the world, albeit unevenly. Successful vaccine rollouts are dramatically impacting virus numbers, and after a slow start even the EU vaccination programme is now picking up pace. In the UK, around 50% of the population has now had at least one dose of vaccine. However, progress in many emerging markets has been much slower, and the impact of this is sadly apparent in nations like India and Brazil.

Weekly market moves

In a fairly quiet week for global stock markets on the whole, energy and financial stocks performed well.

In bond markets, yields (which are negatively correlated to prices) picked up slightly.

Commodities performed well over the seven-day period, with the exception of precious metals which fell slightly.

What to look out for this week

Financial markets will be closely watching US employment data on Friday. US central bank Chair Powell has said he would like to see further improvement in the employment picture before even beginning to consider tapering central banks support levels, meaning that an extraordinarily good jobs report could spook financial markets.

New earnings season releases are beginning to slow down, but highlights will include pharmaceuticals giants Pfizer and Moderna.

Market moves (as at 30 April 2021)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	1,953.3	0.6%	0.0%	9.4%
MSCI United Kingdom Mid Cap	1,358.6	-0.7%	0.0%	9.7%
MSCI United Kingdom Small Cap	475.6	0.8%	0.0%	12.3%
MSCI World (GBP)	2,213.3	-0.5%	-0.3%	8.3%
S&P 500 (GBP)	4,192.7	-0.3%	-0.3%	10.1%
MSCI Japan (GBP)	1,160.0	-2.3%	-0.2%	-1.4%
MSCI Europe ex-UK (GBP)	1,578.6	-0.3%	0.4%	7.6%
MSCI Pacific ex-Japan (GBP)	1,732.5	-1.0%	-0.7%	7.0%
MSCI Emerging Markets (GBP)	74,962.0	-1.6%	-1.2%	2.3%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,326.0	-0.8%	0.0%	-6.9%
BoA Merrill Lynch Index-Linked Gilts	595.3	-0.5%	0.0%	-5.5%
BoA Merrill Lynch £ Corporate	464.7	-0.4%	0.0%	-3.7%
Commodities				
Oil (West Texas Intermediate, GBP)	\$64.5	3.1%	0.8%	30.9%
Gold (GBP)	\$1767.7	-1.4%	-0.6%	-8.1%
S&P / GSCI (GBP)	2,447.7	2.5%	0.2%	21.5%

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