

Weekly bulletin: A bumper week for economic data

Key takeaways

In a jam-packed week for economic updates, the US jobs market delivered good news, while the UK and European manufacturing sectors – and China's economy – sent troubled signals.

- 431,000 new jobs were added to the US economy in March, taking the US unemployment rate to 3.6% – the lowest level since before the pandemic. Financial markets have been watching the unemployment rate closely, and the labour market currently looks tight (i.e. close to 'full employment'). We know that the US central bank also watches these figures diligently due to its dual mandate – managing the balance of both inflation and unemployment – and this increases the likelihood of a larger interest rate increase at its next policy meeting (May).
- In other economic data news, inflation in Europe's single currency region came in at 7.5% for March (versus the previous year), mainly driven by the recent surge in energy prices as well as higher food costs. Private sector survey data also fell for Europe's manufacturing sector. The Purchasing Managers Index (or PMI) provides an indicator of business activity, and signalled the slowest growth in Europe since early 2021. Issues flagged by survey respondents cited intensifying price pressures and supply chain disruptions, contributing to dampened business optimism in March. The UK iteration of the same survey also fell, hitting a 13-month low, with both output and new order growth slowing.
- Economic data in China last week saw declines too. The PMI results for both manufacturing and services sectors moved to levels signalling contraction in March, for the first time since February 2020. This comes as multiple cities in China undergo further lockdowns in response to COVID-19 outbreaks.
- Last week, US bond markets drew attention due to a yield curve inversion. This refers to a scenario in which the yields paid on longer-dated bonds fall below those of their shorter-dated counterparts, signalling that investors are (unusually) asking to be paid more to lend out their money for a shorter period than for a longer one. In turn, this reflects bond market expectations for a decline in longer-term interest rates – typically associated with recessions. However, these signals come with many caveats, and we continue to believe that the probability of a US recession this year is low.

Weekly market moves

All major regional stock markets delivered positive performance in sterling terms over the week, buoyed by a pro-risk market mood.

Bond markets were also positive for the week, with inflation-linked bonds especially strong.

In commodity markets, the oil price fell amid news that the US would release 1m barrels per day from its Strategic Petroleum Reserve.

What to look out for this week

In a quieter week for economic data news, the European Central Bank will release the minutes of its March policymaker meeting, with investors no doubt looking out for a response to higher inflation levels.

Market moves (as at 1 April 2022)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,161.1	0.8%	0.3%	5.1%
MSCI United Kingdom Mid Cap	1,285.9	0.4%	-0.2%	-11.7%
MSCI United Kingdom Small Cap	421.5	0.7%	0.3%	-11.6%
MSCI World (GBP)	2,347.1	1.0%	0.6%	-1.7%
S&P 500 (GBP)	4,545.9	0.7%	0.8%	-1.1%
MSCI Japan (GBP)	1,197.3	-0.8%	-0.9%	-4.6%
MSCI Europe ex-UK (GBP)	1,597.2	2.7%	0.2%	-7.1%
MSCI Pacific ex-Japan (GBP)	1,705.8	1.7%	0.4%	7.1%
MSCI Emerging Markets (GBP)	65,791.2	2.6%	0.8%	-3.5%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,250.4	1.1%	0.2%	-7.3%
BoA Merrill Lynch Index-Linked Gilts	620.3	2.8%	0.6%	-5.2%
BoA Merrill Lynch £ Corporate	436.2	1.0%	0.1%	-6.8%
Commodities				
Oil (West Texas Intermediate, GBP)	\$99.3	-14.0%	-0.6%	36.2%
Gold (GBP)	\$1929.4	-0.6%	-0.2%	10.4%
S&P / GSCI (GBP)	3,678.7	-7.1%	0.0%	37.0%

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