

Weekly Bulletin: Vaccine programmes versus the UK 'pingdemic'

Key takeaways

As much of the UK economy reopens, new case numbers appear to be falling - a testament to the success of vaccination programmes. However, the next challenge for UK leaders could be the 'pingdemic' sweeping the nation.

- As the Delta variant of COVID-19 continues to spread throughout the world, significant global divergence is emerging in ongoing pandemic management. Restrictions are increasing in some parts of Asia, while the Chief Medical Adviser in the US has said that guidance is "going in the wrong direction". Meanwhile in the UK, a high proportion of the adult population now has COVID-19 antibodies (either through vaccination or prior infection), and in England and Scotland most pandemic-related restrictions have been lifted.
- In a potentially interesting case study, one week on from a major step in the UK's economic reopening, new COVID-19 case numbers have been coming down sharply. However, the lifting of restrictions across much of the UK has been somewhat overshadowed by the so-called 'pingdemic', with hundreds of thousands of people being 'pinged' (alerted to the need to quarantine) by the NHS Test and Trace service. This has placed substantial staffing pressure on key service sector industries, including supermarkets, bars and restaurants.
- Over the weekend, news from China of tightening regulations for the education sector has impacted share prices in the region. The reforms make it illegal for academic tuition groups to make profits, raise capital or 'go public' (offering shares for sale in public markets). These new regulations come as China's leaders attempt to tackle escalating educational costs, particularly in the booming after-school tuition industry, which are reportedly deterring families from having more children. Technology shares in Hong Kong and China were especially impacted by this development.
- The latest manufacturing and service sector sentiment surveys (Purchasing Managers Index) pointed to strength in the Eurozone economic recovery in particular, followed by the US. However, survey data in Japan was weak, driven by softness in the service sector as the Olympic hosts struggle to stage a convincing recovery.

Weekly market moves

Global stock markets were mostly positive over the past week, with the US leading the way in sterling terms, while emerging markets lagged.

Bond market prices largely rose over the same period (yields – which move inversely to prices – fell), with inflation-linked UK government bonds performing particularly well.

What to look out for this week

A meeting of US central bank policymakers on Wednesday could reveal more about the timeline for the bank's tapering of economic support.

An initial look at European inflation data for July is due for release on Friday. Inflation is expected to hit the European Central Bank (ECB)'s 2% target in this month's data, and rise thereafter. The ECB is expected to tolerate a subsequent overshoot of this target as the economy recovers.

Market moves (as at 23 July 2021)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	1,976.4	0.2%	0.1%	11.5%
MSCI United Kingdom Mid Cap	1,416.0	2.6%	3.7%	15.1%
MSCI United Kingdom Small Cap	475.7	2.2%	2.1%	12.9%
MSCI World (GBP)	2,323.1	1.9%	2.4%	14.8%
S&P 500 (GBP)	4,411.8	2.3%	3.2%	17.7%
MSCI Japan (GBP)	1,165.2	-1.6%	-1.3%	-0.9%
MSCI Europe ex-UK (GBP)	1,664.0	1.6%	1.8%	13.0%
MSCI Pacific ex-Japan (GBP)	1,779.2	0.0%	-0.3%	8.2%
MSCI Emerging Markets (GBP)	73,767.1	-1.8%	-3.9%	2.4%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,377.0	1.2%	2.6%	-3.4%
BoA Merrill Lynch Index-Linked Gilts	649.5	3.1%	6.3%	3.1%
BoA Merrill Lynch £ Corporate	476.7	0.5%	1.4%	-1.2%
Commodities				
Oil (West Texas Intermediate, GBP)	\$72.1	0.7%	-1.5%	48.2%
Gold (GBP)	\$1799.6	-1.1%	2.5%	-5.2%
S&P / GSCI (GBP)	2,596.5	1.1%	0.4%	30.6%

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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