

Weekly Bulletin: A strong week for global stock markets

Key takeaways

A positive month of growth capped a weak year for the UK economy. Meanwhile, President Biden forged ahead with his \$1.9tn spending plan, and vaccination programmes continued to make headway around the world.

- The UK economy grew by 1.2% in December 2020 as lockdown restrictions eased, helping to bring the growth rate for the final quarter of the year up to 1%. Government spending was a key driver of this improvement, highlighting ongoing economic dependence on central spending programmes. The latest figure was much better than financial markets had expected, though the UK's annual growth rate for 2020 was -9.9% – the worst among the G7 group of nations. Nevertheless, the rapid rollout of vaccines in the UK could help to boost its economic recovery over the coming year. The upcoming Budget (in March) will be closely watched.
- Vaccination rollouts are progressing around the world, with Israel, UAE, the UK and US leading the charge. However, concerns are growing about mutant strains in some regions; France may be heading into fresh lockdown restrictions, with a new virus variant now responsible for 25% of new cases.
- In the US, President Biden's \$1.9tn economic stimulus plan continued to make its way through the legislative machine. Late last week, Democrats in the House of Representatives (lower house of Congress) passed about half of the overall package via various house committees, and over the weekend Biden held some reportedly promising cross-partisan meetings on the topic.
- A significant portion of the latest corporate reporting season has now passed in the US, with the majority of businesses reporting better-than-estimated earnings. This points to a strong recovery on the ground as economies emerge from the peak of the pandemic crisis in 2020. What's more, these reports are also translating into upgrades for guidance on business earnings in 2021.
- Market trading volumes have approached record highs over the last few weeks. Such bursts of trading in stocks usually come amid periods of surging stock market volatility, but at present volatility is relatively subdued. This potentially points to areas of market exuberance and the increasing participation of more amateur investors. We believe it is reasonable to expect some elevated market volatility in the near term, driven by the kinds of trades featuring in the headlines in recent weeks (e.g. GameStop).

Weekly market moves

It was yet another strong week for risk assets like shares, with global stock markets all in positive territory. US markets hit record highs once again, driven by a strong earnings season and promising signs of further economic stimulus from the government.

Government bond yields continued to move up slightly as a result of higher inflation expectations (bond prices, which move inversely to bond yields, continued to fall incrementally).

The oil price rose over the week, crossing the pre-pandemic price point of \$60 per barrel.

What to look out for this week

Bank holidays in the US (Presidents' Day) and China (New Year) should make for a quieter week in global markets.

Minutes from the latest policymaker meetings at the US Federal Reserve and European Central Bank will be released later this week.

The first sight of the most recent business survey data (the Purchasing Managers' Index) will be available on Friday, and will be closely watched for signs of how economies have held up over the past month.

Market moves (as at 12 February 2021)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	1,844.2	1.6%	2.6%	1.9%
MSCI United Kingdom Mid Cap	1,283.1	0.7%	3.4%	2.7%
MSCI United Kingdom Small Cap	438.4	0.2%	4.3%	3.1%
MSCI World (GBP)	2,110.3	0.8%	5.1%	3.6%
S&P 500 (GBP)	3,934.8	0.4%	5.1%	3.6%
MSCI Japan (GBP)	1,185.7	2.0%	5.8%	4.3%
MSCI Europe ex-UK (GBP)	1,484.3	0.9%	3.7%	1.4%
MSCI Pacific ex-Japan (GBP)	1,682.7	0.4%	3.3%	3.5%
MSCI Emerging Markets (GBP)	79,515.8	1.5%	6.6%	9.4%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,363.6	-0.3%	-2.6%	-4.3%
BoA Merrill Lynch Index-Linked Gilts	596.7	-0.2%	-2.3%	-5.2%
BoA Merrill Lynch £ Corporate	472.8	0.1%	-1.0%	-2.0%
Commodities				
Oil (West Texas Intermediate, GBP)	\$59.7	4.2%	13.5%	21.9%
Gold (GBP)	\$1816.4	-0.2%	-3.4%	-5.0%
S&P / GSCI (GBP)	2,231.5	2.0%	6.7%	11.4%

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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