

## Weekly Bulletin: Lockdown extended, but the recovery is ongoing

### Key takeaways

As news breaks that pandemic-related restrictions will now be extended in England, economic data continues to paint a picture of ongoing recovery. Meanwhile, policymakers remain accommodative, and there are new signs of global cooperation on key long-term issues like climate change.

- Despite the rapid spread of the so-called 'Delta variant', global COVID-19-related death rates continue to fall. Importantly, and unlike the first and second waves of the pandemic in the UK, the NHS has not been overrun. Restrictions may remain in place for a few weeks longer than planned, and the longer we defer full economic reopening, the greater the impact is likely to be on UK growth. However, at the moment the outlook for recovery still looks to be on solid ground. Businesses have adapted, around 80% of UK adults now have COVID-19 antibodies, and the vaccination programme continues apace.
- On a global level, economic growth is also coming through strongly. The US has almost returned to its pre-pandemic economic activity levels; China achieved this some time ago, and Europe has been improving markedly in recent months. This improvement has (so far) not been met with an inflation surge in Europe, though pricing pressures persist in China, where raw material costs and bottlenecks in global supply chains are beginning to make their presence known. In the US, the latest inflation data proved higher than expected, but a glance at bond markets (a key window into what financial markets are thinking) suggests that market concerns around inflation have eased.
- Sticking with the US, employment data continues to improve overall, but certain cohorts of the jobs market remain materially weaker than prior to the pandemic. Both the Biden administration and the US central bank appear increasingly sensitive to inequality, particularly in this area. With this in mind, the central bank is likely to keep its ultra-supportive measures in place until it is satisfied with a broader employment improvement. In the near term at least, this is helpful for financial markets.
- At a G7 summit last week, some of the world's leading nations committed to providing a total of over two billion COVID-19 vaccine doses, as well as a 'timely, transparent, expert-led, and science-based' study into the origins of the pandemic. They also committed to continuing discussions on a global minimum tax regime, and to supporting a 'green revolution' centred on jobs creation and tackling global warming.

### Weekly market moves

Global stock markets enjoyed yet another strong week, with smaller companies in the US leading the way. Having gained some ground in the previous week, markets in Japan fell marginally.

Bond markets remained quietly positive, with inflation-linked bonds outperforming.

Commodity prices broadly moved higher over the seven-day period, with oil and silver doing particularly well. Gold, however, gave back some of its recent gains.

### What to look out for this week

The coming week will see the release of key economic data in the US and China, including more inflation data in the US, alongside retail sales and industrial production figures in China, adding colour to how well these economies have fared in recent history.

Markets will also be keeping an eye on the latest policy decisions from the Bank of Japan on Friday.

## Market moves (as at 11 June 2021)

	Index Levels	Last Week	Month to Date	Year to Date
<b>Equity</b>				
MSCI United Kingdom	2,002.2	0.8%	1.6%	12.7%
MSCI United Kingdom Mid Cap	1,374.5	0.5%	1.2%	11.4%
MSCI United Kingdom Small Cap	477.4	-0.5%	0.1%	13.0%
MSCI World (GBP)	2,259.0	0.9%	1.9%	9.4%
S&P 500 (GBP)	4,247.4	0.8%	1.5%	10.2%
MSCI Japan (GBP)	1,195.1	-0.2%	1.7%	-0.5%
MSCI Europe ex-UK (GBP)	1,642.5	1.2%	2.5%	11.7%
MSCI Pacific ex-Japan (GBP)	1,776.4	0.0%	1.2%	8.4%
MSCI Emerging Markets (GBP)	76,478.8	0.4%	1.2%	4.4%
<b>Bonds</b>				
BoA Merrill Lynch Conventional Gilts	1,340.9	0.9%	0.7%	-5.9%
BoA Merrill Lynch Index-Linked Gilts	622.5	1.7%	1.7%	-1.1%
BoA Merrill Lynch £ Corporate	469.2	0.7%	0.7%	-2.7%
<b>Commodities</b>				
Oil (West Texas Intermediate, GBP)	\$70.9	2.3%	7.6%	41.9%
Gold (GBP)	\$1881.1	-0.2%	-0.4%	-3.6%
S&P / GSCI (GBP)	2,578.6	1.0%	3.9%	26.2%

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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