

## Weekly Bulletin: US and China chart a course to global recovery

### Key takeaways

The effects of the COVID-19 pandemic will remain with us for some time to come. However, the latest data still suggests that the world's largest economies – China and the US – are both recovering strongly.

- Vaccination programmes continue to represent the route out of the COVID-19 pandemic. However, there has been substantial divergence between countries when it comes to rolling out the vaccines. Poor progress in regions like mainland Europe have led to a 'third wave' of infections and further lockdown restrictions, which will delay economic reopening in these areas.
- China continues to form the blueprint for large economies in recovery. China's manufacturing sector showed signs of life first, followed by a material improvement in the services sector as lockdown restrictions eased. Developed market economies can likely expect to follow this trajectory too, albeit with a lag.
- Meanwhile, the US economic recovery also looks extremely strong, with the latest survey (ISM) data showing both manufacturing and service sector readings around all-time highs. With many US states still operating under lockdown restrictions, there is yet more economic reopening to come, which should provide a further boost. Last week's monthly US jobs data was exceptionally good too, though the US central bank will be on the lookout for many more positive monthly readings to demonstrate true progress, including improvements among specific demographics like younger and African-American workers.
- This US recovery has been well supported by President Biden's recent \$1.9trn stimulus plan. Biden now plans to follow this with the 'American Jobs Plan' – intended to create millions of jobs, rebuild US infrastructure, and position the US to out-compete China. If passed (no mean feat, given Biden's razor thin majority in Congress), this additional spending could turbocharge US growth in 2021. However, since much of the new stimulus would be paid for via tax rises, it could also create a drag on growth further down the line.
- On home shores, the UK economy is likely to be out of the post-pandemic blocks earlier than many of its global peers. However, due to the UK's reliance on the hard-hit service sector, it begins from a position of weakness, with considerable catching up to do. Challenges along the way will include adjusting to life beyond the EU, the public debt accumulated during the pandemic, and even the recent strength in sterling (making the UK less competitively priced on a global stage).

### Weekly market moves

Most major stock markets landed in positive territory over the past week in sterling terms, with smaller US companies performing particularly well.

Commodities delivered mixed results over the seven-day period, with the oil price continuing on its upward trend, while precious metals weakened.

It was another decent week for sterling, which rose against most other major currencies.

### What to look out for this week

Minutes from March's policymaker meetings at the European Central Bank and the US Federal Reserve (Fed) will be released this week. Details of the debate around interest rates between different Fed members could be especially interesting.

In England, the countdown is on for the next phase of exit from lockdown conditions, with non-essential retail, outdoor dining, and indoor sports and leisure facilities set to reopen on 12 April.

## Market moves (as at 5 April 2021)

	Index Levels	Last Week	Month to Date	Year to Date
<b>Equity</b>				
MSCI United Kingdom	1,888.7	0.0%	0.3%	5.5%
MSCI United Kingdom Mid Cap	1,317.4	1.1%	1.7%	6.1%
MSCI United Kingdom Small Cap	456.0	1.2%	1.3%	7.4%
MSCI World (GBP)	2,168.7	1.4%	1.5%	5.6%
S&P 500 (GBP)	4,077.9	1.9%	1.9%	7.2%
MSCI Japan (GBP)	1,210.9	0.0%	1.3%	2.1%
MSCI Europe ex-UK (GBP)	1,556.2	0.8%	0.4%	3.1%
MSCI Pacific ex-Japan (GBP)	1,696.7	-0.1%	0.2%	3.8%
MSCI Emerging Markets (GBP)	75,485.7	1.7%	1.0%	2.4%
<b>Bonds</b>				
BoA Merrill Lynch Conventional Gilts	1,325.5	-0.7%	0.5%	-7.0%
BoA Merrill Lynch Index-Linked Gilts	598.2	-0.6%	1.5%	-5.0%
BoA Merrill Lynch £ Corporate	462.7	-0.3%	0.4%	-4.1%
<b>Commodities</b>				
Oil (West Texas Intermediate, GBP)	\$58.7	-4.4%	-1.6%	19.3%
Gold (GBP)	\$1726.1	-1.1%	1.4%	-10.0%
S&P / GSCI (GBP)	2,230.0	-2.8%	-1.3%	11.0%

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