

Weekly Bulletin: Financial markets set their sights on global growth

Key takeaways

Favourable vaccine news put financial markets in a pro-risk mood last week, while President Biden's economic support package inched its way towards completion in the US Congress.

- In the UK, deaths due to COVID-19 are falling rapidly across all regions, with good news on the vaccine rollout continuing to emerge. Separate studies from both Public Health England and the University of Bristol have shown that single doses of either the BioNTech/Pfizer or Oxford/AstraZeneca vaccine have proven highly effective in preventing hospitalisations of the over 80s. In Europe, politicians have been forced into an embarrassing U-turn; having previously restricted use of the Oxford/AstraZeneca vaccine to younger cohorts, they have now authorised its use on over 65s.
- Meanwhile, research in the US has indicated that the leading vaccines offer some protection against new variants of the virus, including those first identified in Kent, Brazil, South Africa and California. The UK regulator has announced that it will fast-track vaccine modifications which specifically target new variants.
- Importantly for the health of both the global population and the global economy, the evidence consistently supports the idea that vaccines are safe, and that they are working. With this in mind, financial markets have already factored in robust economic growth ahead.
- The closely split US Senate (upper house of Congress) has very narrowly approved President Biden's \$1.9tn stimulus package. The package includes additional and extended unemployment benefits, \$350bn in aid to states and local governments, the expansion of tax credits and extra funding for the vaccine rollout and reopening of schools. The bill now moves to the Democrat-controlled House of Representatives, with a final vote is scheduled for Tuesday. If passed, it will then pass to Biden to be signed into law.
- The UK Budget was announced on Wednesday, and includes £25bn in investment incentives for UK businesses. However, Chancellor Sunak countered this by pointing to the strain placed on public finances during the pandemic, and asserting that the process of repaying these costs must begin sooner rather than later.

Weekly market moves

In keeping with an improving global growth picture, the oil price has rallied hard while gold has lost some of its lustre.

UK shares continued their outperformance versus global peers, with the share prices of smaller businesses also delivering substantially better performance than their larger counterparts. Sterling strength has impacted returns from overseas holdings for UK investors.

In fixed income markets, developed market government bonds have sustained heavy losses this year, though UK government bonds clawed back some of those losses last week. Investors are increasingly signalling that they expect US interest rate hikes in 2023.

What to look out for this week

US inflation data is due for release throughout the week.

European Central Bank policymakers are due to meet on Thursday, and are expected to affirm their commitment to accommodative financial conditions.

Market moves (as at 5 March 2021)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	1,863.0	2.6%	2.6%	3.7%
MSCI United Kingdom Mid Cap	1,258.6	1.0%	1.0%	0.8%
MSCI United Kingdom Small Cap	438.7	0.4%	0.4%	3.2%
MSCI World (GBP)	2,055.4	1.3%	1.3%	0.6%
S&P 500 (GBP)	3,841.9	2.0%	2.0%	1.5%
MSCI Japan (GBP)	1,159.2	0.9%	0.9%	-0.9%
MSCI Europe ex-UK (GBP)	1,461.7	-0.2%	-0.2%	-2.1%
MSCI Pacific ex-Japan (GBP)	1,671.9	1.6%	1.6%	2.9%
MSCI Emerging Markets (GBP)	75,315.4	1.2%	1.2%	2.8%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,330.6	0.9%	0.9%	-6.6%
BoA Merrill Lynch Index-Linked Gilts	587.8	1.5%	1.5%	-6.6%
BoA Merrill Lynch £ Corporate	464.1	0.4%	0.4%	-3.8%
Commodities				
Oil (West Texas Intermediate, GBP)	\$66.3	8.9%	8.9%	35.6%
Gold (GBP)	\$1696.3	-1.5%	-1.5%	-11.1%
S&P / GSCI (GBP)	2,363.5	4.2%	4.2%	18.2%

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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