

## Weekly Bulletin: Vaccine news holds investor attention

### Key takeaways

In a week dominated by vaccine approval news, economic updates included decidedly mixed signals from Europe and a disappointing US jobs report. Meanwhile, Brexit negotiators are operating on borrowed time.

- With multiple COVID-19 vaccines in progress or actively approved around the world, countries are competing harder than ever to secure sufficient quantities for their nations. Perhaps unsurprisingly, the globe's richest countries have typically fared best. The UK is among the frontrunners, with enough reserved doses to theoretically cover its entire population three times over.
- In the meantime, though, there are around 63 million confirmed cases of COVID-19 globally, with associated fatalities now standing at 1.45 million people. Europe continues to battle its so-called 'second wave' of cases, while the US healthcare system is beginning to show signs of strain – a record 210,000 daily new cases were confirmed this week.
- Alongside the heart-breaking human cost of the pandemic, the economic cost is still being weighed. Lockdown restrictions in Europe (including the UK) continue to hinder the recovery. 'High frequency data', which charts very recent activity in a range of areas like public transport use and energy consumption, is sending warning signals. The service sector (including hospitality and leisure) continues to bear the brunt of social restrictions.
- However, recovery in the manufacturing sector has been surprisingly upbeat. Manufacturing survey data for November generally surpassed expectations; indeed, German factory orders actually outstripped pre-pandemic levels. This is further evidence of a split in the trajectory of economic recoveries, with some segments of the economy recuperating much more convincingly than others.
- In the US, despite some improvement in unemployment figures in November (unemployment now stands at 6.7%, down from a peak of 14.7% in April), the increase in the number of new jobs for the month was lower than forecast. This is the fifth straight month of slowing growth in US employment figures, fuelling concerns that the economic recovery is stalling. Perhaps counterintuitively, this was well received by financial markets, as it increased hopes of a new round of economic relief from the government.
- Brexit negotiations continue as we write, with reports suggesting that fishing and a level playing field for business competitiveness remain among the sticking points.

### Weekly market moves

Positive vaccine developments buoyed UK markets last week, with the share prices of smaller UK businesses particularly strong.

Oil enjoyed another weekly gain, pushed higher by increased expectations for demand and constructive supply talks between oil producers. It is worth remembering that despite a better few weeks, the oil price remains in very negative territory for the year as a whole.

With markets feeling broadly positive about riskier asset types like shares and oil, government bonds (a traditional 'safe haven' for nervous investors) posted small losses over the week.

### What to look out for this week

At a point somewhere beyond the fabled 'eleventh hour', Brexit negotiators are still striving to finalise a deal. Despite rumours of progress over the weekend, sterling began the new week on a weaker note, suggesting financial market pessimism on the outlook for a deal.

All eyes will be on the FDA (Food and Drug Administration) in the US on Thursday. The federal agency will decide whether or not to approve Pfizer's vaccine for use in the US.

## Market moves (as at 4 December 2020)

	Index Levels	Last Week	Month to Date	Year to Date
<b>Equity</b>				
MSCI United Kingdom	1,841.1	3.0%	4.6%	-11.8%
MSCI United Kingdom Mid Cap	1,233.4	3.1%	3.4%	-4.9%
MSCI United Kingdom Small Cap	416.0	3.7%	4.4%	-7.1%
MSCI World (GBP)	1,979.8	0.6%	1.3%	12.3%
S&P 500 (GBP)	3,699.1	0.8%	1.2%	14.5%
MSCI Japan (GBP)	1,083.4	-1.6%	0.2%	9.8%
MSCI Europe ex-UK (GBP)	1,412.5	0.3%	1.1%	7.1%
MSCI Pacific ex-Japan (GBP)	1,603.3	-0.5%	1.4%	1.9%
MSCI Emerging Markets (GBP)	69,654.2	0.7%	2.9%	12.8%
<b>Bonds</b>				
BoA Merrill Lynch Conventional Gilts	1,390.9	-0.9%	-0.7%	6.2%
BoA Merrill Lynch Index-Linked Gilts	617.5	-0.9%	-1.4%	9.1%
BoA Merrill Lynch £ Corporate	474.1	-0.1%	0.0%	6.8%
<b>Commodities</b>				
Oil (West Texas Intermediate, GBP)	\$46.3	0.5%	1.4%	-25.6%
Gold (GBP)	\$1843.0	2.6%	3.6%	19.6%
S&P / GSCI (GBP)	1,879.9	-0.8%	-0.1%	-28.7%

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