



Market Update

Weekly Bulletin: US holds the spotlight, UK lockdown begins again

Key takeaways

Last week, and over the weekend, the headlines were of course held by the US presidential election. Meanwhile, the UK entered its second lockdown and the hunt for a COVID-19 vaccine continues.

- In the US presidential election, challenger Joe Biden and running mate Kamala Harris were elected by US voters in a closer-than-expected contest, the results of which remain disputed by the incumbent president. Trump has until 8 December to resolve any legal challenges.
- Financial markets appear comfortable with the results. Suggestions of a 'blue wave' (Democrats taking the White House plus both houses of government) remain unfulfilled, meaning that it will be harder for Biden to push through stringent tax rises or increased regulation in key sectors. Consequently, technology shares led the way for US stock markets in the wake of the results.
- However, any further US government stimulus bill is now likely to be watered down in size and scope too, due to a still divided governing house. Last week, US Federal Reserve Chair Powell was at pains to remind the government that the central bank can only do so much of the heavy lifting in supporting the US economy. The latest US employment data showed continued improvement, but remains a long way off pre-pandemic levels.
- Meanwhile, global economic survey data showed that the manufacturing sector continues to recover better than the services sector. Restricted populations are still spending their money on goods rather than services.
- Global COVID-19 deaths continued to rise throughout the week, with Europe once more at the epicentre of the pandemic. The latest data on UK population mobility (how people move around in the course of their everyday lives) shows inevitable stalling in places like parks, transit hubs and shops. However, the mobility picture is much better than in March, which suggests the potential for less economic damage in this second UK lockdown.
- Finding a viable medical solution remains critical, and expectations are growing for a vaccine being approved and ready within six months or a year's time. However, the efficacy of such a vaccine would be key, and will determine the potential for herd immunity. Like the rest of the world, financial markets will be watching closely.

Weekly market moves

- Global stock markets rallied last week, with Europe leading the way. US markets also performed well, though financial returns here for UK investors were hampered by recent strength in sterling.
- Oil jumped higher over the week, followed by gold which also landed in positive territory.
- Other safe havens such as the US dollar and government bonds fell, though US treasuries benefited from news of a divided government.

What to look out for this week

- In the US, government stimulus discussions remain in focus, while the race for Senate seats in Georgia will also be closely observed.
- Time is running out for Brexit talks, with previous suggestions of a mid-November 'real' deadline coming to the fore.
- A number of leading central bank speakers will feature in a much-anticipated panel on Thursday, including European Central Bank President Lagarde, US Federal Reserve Chair Powell, and Bank of England Governor Bailey.



Market moves (as at 6 November 2020)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	1,652.6	5.9%	5.9%	-21.1%
MSCI United Kingdom Mid Cap	1,146.4	6.8%	6.8%	-12.0%
MSCI United Kingdom Small Cap	367.6	4.5%	4.5%	-18.1%
MSCI World (GBP)	1,860.9	6.0%	6.0%	7.5%
S&P 500 (GBP)	3,509.4	5.6%	5.6%	11.2%
MSCI Japan (GBP)	1,004.5	4.7%	4.7%	5.2%
MSCI Europe ex-UK (GBP)	1,320.3	7.6%	7.6%	0.6%
MSCI Pacific ex-Japan (GBP)	1,492.8	5.6%	5.6%	-4.5%
MSCI Emerging Markets (GBP)	66,419.5	4.9%	4.9%	8.7%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,401.3	-0.5%	-0.5%	7.0%
BoA Merrill Lynch Index-Linked Gilts	618.7	-1.2%	-1.2%	9.3%
BoA Merrill Lynch £ Corporate	466.9	0.4%	0.4%	5.2%
Commodities				
Oil (West Texas Intermediate, GBP)	\$37.5	3.4%	3.4%	-38.2%
Gold (GBP)	\$1940.8	1.4%	1.4%	29.1%
S&P / GSCI (GBP)	1,704.7	0.7%	0.7%	-33.7%

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.

Clear Thinking

Important information

Heartwood Investment Management (Heartwood) is a trading name of Heartwood Wealth Management Ltd (Heartwood), which is authorised and regulated by the Financial Conduct Authority (FCA) in the conduct of investment business, and is a wholly owned subsidiary of Handelsbanken plc. This publication is intended to be Heartwood's commentary on markets and on its own investment strategy. It is not investment research and you should not treat this publication as a recommendation to buy, sell or trade in any of the investments, sectors or asset classes mentioned. Registered Head Office: No.1 Kingsway, London, WC2B 6AN | Registered in England Number: 4132340
020 7045 2600 | heartwoodgroup.co.uk | Part of the Handelsbanken Group.