

Weekly Bulletin: A landmark week in the fight against COVID-19

Key takeaways

The UK has continued to lead the way among larger developed economies in vaccinating its population against COVID-19.

Meanwhile, a disappointing labour market report in the US may have forced President Biden's hand when it comes to rolling out more financial support for the US economy.

- In a milestone week in the fight against COVID-19, the number of people vaccinated against the infection globally overtook the number of confirmed cases. While there is still a long way to go, this underscores the progress made in battling the pandemic, which will in turn determine the speed of the economic recovery.
- The UK continues to make solid progress in its vaccine rollout, with over 17% of the population vaccinated at the time of writing. In the US, the pharmaceutical company Johnson & Johnson has applied for emergency authorisation of a new vaccine, which has lower efficacy than some of its peers but has trialled well in the prevention of hospitalisations and fatalities. It also has the advantage of being administered in a single dose.
- The former head of the European Central Bank – Mario Draghi – has been called out of retirement to lead an Italian government managed by technical experts. Draghi is seen as a safe pair of hands to oversee the deployment of EU recovery funds, drive reform and steer Italy in a pro-European direction. His appointment has been taken well by Italian financial markets. Political overhauls are standard practice in Italy; this will be the nation's 69th government since the end of World War II, with the government switching around once every 13 months (on average).
- In the US, the latest jobs report delivered slightly disappointing figures overall, highlighting the fragility of the US economic recovery. However, this relatively poor outcome does increase the likelihood of a bigger government support package, explaining the benign response of financial markets last week. President Biden now looks set to fast-track his spending plans through the 'Budget Reconciliation Process' (eschewing the need for Republican support), describing the situation as an 'easy choice' between providing aid to Americans quickly or becoming absorbed in lengthy negotiations.
- The recent stock market darlings of the internet message boards such as GameStop and AMC fell back down to earth last week, dropping by 80% and 48% respectively. Armchair investors continued to influence financial markets at the periphery, with the focus of online forums like 'WallStreetBets' turning to biotechnology stocks and silver.

Weekly market moves

Global stock markets enjoyed a good start to February, following on from a weaker end to January. Emerging markets and the US were particularly strong.

The UK – whilst also in positive territory – remained a laggard, triggered by significant losses in major UK-listed energy companies such as Shell and BP.

Safe havens like government bonds and gold fell, while oil reached highs last seen before the pandemic and the Russia-Saudi oil price war in 2020.

What to look out for this week

Donald Trump's second impeachment trial begins in the US Senate (upper house of Congress). The former president is charged with incitement of insurrection following violent unrest in Washington a few weeks ago.

Sticking with the US, Chair of the Federal Reserve Jerome Powell is due to speak on Wednesday, while inflation data is also set for release on the same day.

Market moves (as at 5 February 2021)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	1,816.0	1.1%	1.1%	0.4%
MSCI United Kingdom Mid Cap	1,274.6	2.7%	2.7%	2.0%
MSCI United Kingdom Small Cap	437.7	4.1%	4.1%	2.9%
MSCI World (GBP)	2,081.3	4.3%	4.3%	2.8%
S&P 500 (GBP)	3,886.8	4.7%	4.7%	3.2%
MSCI Japan (GBP)	1,157.3	3.7%	3.7%	2.2%
MSCI Europe ex-UK (GBP)	1,470.8	2.8%	2.8%	0.5%
MSCI Pacific ex-Japan (GBP)	1,675.0	2.9%	2.9%	3.1%
MSCI Emerging Markets (GBP)	77,952.6	5.0%	5.0%	7.8%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,368.3	-2.2%	-2.2%	-4.0%
BoA Merrill Lynch Index-Linked Gilts	597.7	-2.1%	-2.1%	-5.1%
BoA Merrill Lynch £ Corporate	472.6	-1.0%	-1.0%	-2.0%
Commodities				
Oil (West Texas Intermediate, GBP)	\$56.9	9.0%	9.0%	17.1%
Gold (GBP)	\$1803.0	-3.2%	-3.2%	-4.9%
S&P / GSCI (GBP)	2,168.8	4.6%	4.6%	9.3%

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