

Weekly Bulletin: The great vaccine rollout is underway

Key takeaways

Vaccine news fought US politics for media headlines last week. US Congress impeached President Trump, while the UK found a welcome place at the front of the race to vaccinate its population. Meanwhile, the global economy was bolstered by further economic support from the US government.

- The latest estimates suggest that the UK may have already vaccinated as much as 6.5% of its population (including 50% of all over-80s) – among the highest percentages globally. Half the population in many developed world countries are expected to be vaccinated by the middle of 2021. This will be key in creating herd immunity and supporting the global economic recovery.
- Overall, economic data is exceeding expectations, though we should expect some slowing in the near term due to lockdown conditions in many countries. The latest available data pointed to growth in the UK economy in November, suggesting that consumers and businesses had adapted better to the second lockdown.
- Meanwhile, governments and central banks continue to offer extraordinary support to their economies. Speaking publically last week, the chair of the US Federal Reserve – Jerome Powell – made no reference to interest rate rises, and hinted that the Fed has learned lessons on how to communicate well with markets following missteps in the wake of the 2008 financial crisis.
- President Trump has signed another economic support package, while President-elect Biden is poised to expand it (by a proposed \$1.9trn) in the very near future. In turn, this should boost US consumer confidence, though Biden's planned future tax hikes could curtail enthusiasm for his plans among financial markets at some point.
- On the political stage, Trump has also become the only US president to be impeached twice, this time for 'wilfully inciting violence against the government of the United States', following violent protests at the US seat of government. The impeachment process will now move on to the US Senate. If ultimately impeached, Trump would lose some of his post-presidency perks, and could be barred from holding public office ever again. However, the Democrats would need to convince a number of Senate Republicans to vote against Trump in order to gain the required two-thirds majority.

Weekly market moves

Although global stock markets saw a strong start to 2021, most major markets delivered negative performances last week. Emerging markets provided the exception, while smaller companies typically outperformed their larger peers.

Bond prices were flat over the week, with UK inflation-linked government bonds the only standout performers.

Oil lost some of its gains following a rally on the back of recent supply cut news. Precious metals were also weaker.

What to look out for this week

Joe Biden and Kamala Harris will be inaugurated this week as president and vice president (respectively) of the US. Security has been heightened for fear of Trump supporters disrupting proceedings.

Once inaugurated, Biden reportedly has a slew of Trump's Executive Orders to unwind, and is expected to return the US to the Paris Agreement as a matter of urgency.

Market moves (as at 15 January 2020)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	1,889.8	-1.8%	4.5%	4.5%
MSCI United Kingdom Mid Cap	1,279.9	-2.1%	2.5%	2.5%
MSCI United Kingdom Small Cap	429.1	-2.2%	0.8%	0.8%
MSCI World (GBP)	2,033.6	-1.3%	1.6%	1.6%
S&P 500 (GBP)	3,768.2	-1.4%	1.0%	1.0%
MSCI Japan (GBP)	1,138.6	0.3%	3.2%	3.2%
MSCI Europe ex-UK (GBP)	1,455.3	-2.0%	1.1%	1.1%
MSCI Pacific ex-Japan (GBP)	1,662.4	-0.8%	3.8%	3.8%
MSCI Emerging Markets (GBP)	75,642.1	0.4%	5.9%	5.9%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,403.7	0.1%	-1.5%	-1.5%
BoA Merrill Lynch Index-Linked Gilts	612.0	0.7%	-2.8%	-2.8%
BoA Merrill Lynch £ Corporate	478.8	-0.1%	-0.8%	-0.8%
Commodities				
Oil (West Texas Intermediate, GBP)	\$52.4	0.5%	9.0%	9.0%
Gold (GBP)	\$1839.0	-1.2%	-1.9%	-1.9%
S&P / GSCI (GBP)	2,078.2	0.8%	5.8%	5.8%

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