

## Weekly Bulletin: A new president at the US helm

### Key takeaways

US politics headed in a new direction last week, with a spate of early action by President Biden. Elsewhere, China battled a new wave of rising COVID-19 infections, while rumours of 'vaccine passport' trials circulated in the UK.

- President Biden began his presidency last week with a spate of executive orders and newly-issued directives. The pandemic, the US economy, and environmental concerns were all in the new president's crosshairs. Biden's immediate measures ranged from reinstating the US into the World Health Organisation and re-joining the Paris Agreement, to an extended moratorium on evictions and foreclosures and a pause in the construction of the US-Mexico border wall. All of these actions were well flagged ahead of time, meaning that financial markets received the changes in relative calm.
- Meanwhile, the incoming Treasury Secretary – Janet Yellen, former Chair of the US central bank – gave her testimony to Congress. Yellen confirmed her focus on economic stimulus, took notice of (and agreed with) Republican concerns on China, and expressed caution on cryptocurrencies. While Yellen's speech contained no surprises for financial market investors, it helped to set the tone for her tenure.
- In China, fresh concerns over rising COVID-19 infection rates over the lunar new year have led to 11 regions in three different provinces being placed under lockdown conditions. A 4,000-person COVID-19 quarantine camp is also under construction in Hebei. However, from an economic point of view, China continues to lead the way out of the global pandemic. Economic growth in China is back to 2018 levels, and by a number of measures the economy looks in better shape than it did even before the pandemic. This goes some way towards explaining China's stock market outperformance in 2020 and so far in 2021.
- On home shores, reports are circulating of a 'vaccine passport' trial being rolled out in parts of the UK, via a free app. At present, anyone vaccinated in the UK receives a record card, with the immunisation entered into their medical record. In theory, a 'vaccine passport' would allow those who have been vaccinated to prove their status, and potentially allow those individuals to move more freely, perhaps paving the way for more open travel and encouraging economic recovery in key sectors. The government's current official policy is that it is against vaccine passports, and it is not yet clear if vaccines actually prevent transmission of COVID-19.

### Weekly market moves

After a strong start to the year, the UK underperformed most other major stock markets last week.

Emerging markets were impressive once more, fuelled by strong performance from China.

UK inflation-linked government bonds landed in negative territory, with other bonds relatively subdued.

Commodities, such as gold and oil, also saw little movement over the week.

### What to look out for this week

Economic growth data for a number of countries (including the US, France and Germany) will be released throughout the week. The data will cover the fourth quarter of 2020 – a time period which included lockdown restrictions across much of Europe.

A number of major companies will deliver their latest corporate earnings and outlook reports this week. This will include tech giants like Microsoft, Apple, Facebook and Samsung, as well as global payments firms like Visa, MasterCard and American Express.

## Market moves (as at 22 January 2020)

	Index Levels	Last Week	Month to Date	Year to Date
<b>Equity</b>				
MSCI United Kingdom	1,877.1	-0.7%	3.7%	3.7%
MSCI United Kingdom Mid Cap	1,287.1	0.6%	3.0%	3.0%
MSCI United Kingdom Small Cap	429.2	0.0%	0.8%	0.8%
MSCI World (GBP)	2,061.1	0.8%	2.5%	2.5%
S&P 500 (GBP)	3,841.5	1.3%	2.3%	2.3%
MSCI Japan (GBP)	1,139.9	-0.5%	2.7%	2.7%
MSCI Europe ex-UK (GBP)	1,460.6	0.4%	1.5%	1.5%
MSCI Pacific ex-Japan (GBP)	1,678.2	0.5%	4.3%	4.3%
MSCI Emerging Markets (GBP)	77,745.3	1.9%	7.9%	7.9%
<b>Bonds</b>				
BoA Merrill Lynch Conventional Gilts	1,398.9	-0.3%	-1.8%	-1.8%
BoA Merrill Lynch Index-Linked Gilts	602.9	-1.5%	-4.2%	-4.2%
BoA Merrill Lynch £ Corporate	478.7	0.0%	-0.8%	-0.8%
<b>Commodities</b>				
Oil (West Texas Intermediate, GBP)	\$52.3	-0.6%	8.1%	8.1%
Gold (GBP)	\$1852.7	0.1%	-1.9%	-1.9%
S&P / GSCI (GBP)	2,057.4	-1.7%	4.1%	4.1%

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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