

## Weekly Bulletin: Growing pains for the global economic recovery

### Key takeaways

Across the world, the level of new daily COVID-19 cases is plateauing, as vaccination programmes drive forward. However, the spread of the Delta variant remains a challenge, and the global economic recovery continues to face some growing pains.

- The health impact of the COVID-19 virus has eased meaningfully in much of the developed world, and vaccination programmes are doing sterling work in the fight against the pandemic. However, progress is far from universal. Recent new cases are very high in Asia (where vaccination rates remain low and the death toll is high) and the US is also witnessing a resurgence of new daily cases (the death toll has been increasing in recent months).
- Against a backdrop of continuing human cost, the economic challenges of the pandemic also remain ongoing. Some tapering off in the pace of economic growth has been evident over the past few months in many regions, as concerns surrounding the Delta variant have risen, and supply chain issues constrain activity.
- In China, a zero tolerance approach to COVID-19 cases has led to new restrictions being imposed in recent months, while recent weakening data, combined with a number of new regulatory restrictions, has dampened investor sentiment towards the region. (It is worth noting that our longer-term conviction in the emerging market growth story remains intact.)
- In the UK, supply chain issues and labour market constraints are still weighing on economic activity, particularly in the service sector. The latest survey data pointed to a record share of services companies in hiring mode; however, high staff turnover, labour shortages and rising input costs were noted as a constraint.
- Meanwhile in the US, last week's much-anticipated monthly labour market update delivered weaker than expected results, with fewer jobs added and the pace of hiring slowing. At least some of this can be attributed to the impact of the Delta variant, particularly on sectors like leisure and hospitality. However, ongoing labour shortages are an issue, and could stem from a cocktail of influences including COVID-19 wage support programmes, resurging restrictions (as a result of the Delta variant), and pandemic-related childcare limitations. Some positive reasons have been put forward too, such as workers using the COVID-19 crisis as a catalyst to temporarily leave paid employment in order to retrain ('upskill') in other sectors, or switch to more entrepreneurial ventures.

### Weekly market moves

In a benign week for riskier asset types (like shares), most major stock markets delivered flat or positive performance. The share prices of mid-sized businesses were especially robust.

Meanwhile, government bond yields moved up incrementally (their prices, which move inversely to yields) fell slightly.

### What to look out for this week

Investors will be closely watching for news from the European Central Bank's meeting this Thursday. This will include assessments of the outlook for inflation, and a potential update on the bank's asset purchase programme, which aims to maintain good levels of liquidity in the financial system.

## Market moves (as at 3 September 2021)

	Index Levels	Last Week	Month to Date	Year to Date
<b>Equity</b>				
MSCI United Kingdom	1,999.7	0.0%	0.4%	14.2%
MSCI United Kingdom Mid Cap	1,446.1	0.7%	0.5%	18.1%
MSCI United Kingdom Small Cap	503.5	0.7%	0.4%	19.8%
MSCI World (GBP)	2,385.5	0.1%	0.0%	17.5%
S&P 500 (GBP)	4,535.4	-0.3%	-0.5%	20.2%
MSCI Japan (GBP)	1,234.6	4.0%	2.3%	5.0%
MSCI Europe ex-UK (GBP)	1,700.9	-0.3%	0.0%	15.8%
MSCI Pacific ex-Japan (GBP)	1,769.9	0.9%	0.7%	8.8%
MSCI Emerging Markets (GBP)	73,548.5	2.5%	-0.2%	2.1%
<b>Bonds</b>				
BoA Merrill Lynch Conventional Gilts	1,369.5	-0.6%	0.1%	-3.9%
BoA Merrill Lynch Index-Linked Gilts	648.8	-2.5%	-0.5%	3.0%
BoA Merrill Lynch £ Corporate	477.0	-0.2%	0.1%	-1.1%
<b>Commodities</b>				
Oil (West Texas Intermediate, GBP)	\$69.1	-0.6%	0.1%	40.8%
Gold (GBP)	\$1823.7	0.5%	-0.3%	-4.8%
S&P / GSCI (GBP)	2,600.0	-0.4%	0.1%	29.6%

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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