

Weekly bulletin: A busy week for economic news

Key takeaways

In a week laden with economic data for financial markets to digest, global share prices took a step back.

- There are signs that the spread of the Omicron variant may have peaked in the UK (particularly in London), and the UK economy is beginning to show signs of improved resilience when it comes to dealing with the COVID-19 virus. Last week, economic growth data (GDP) for November was released, and showed that the economy grew by 0.9% in the penultimate month of the year, even as the Omicron outbreak was emerging. The subsequent rollout of vaccine boosters and the avoidance of another lockdown should have benefited economic health over the festive period too.
- In sharp contrast to the UK's 'learning to live with it' approach to COVID-19, China continues to take a zero tolerance approach to the virus, with millions of people and many cities under full lockdown once more. The ensuing lack of natural immunity could mean that Omicron causes much more disruption in China than in other leading nations. This could be further exacerbated by China's use of a vaccine with much more limited efficacy than those in common use among its global peers.
- Besides the human cost of any missteps, disruptions caused by the Omicron variant in China matter hugely to the rest of the world. Often nicknamed 'the world's factory floor', problems in China have the power to fuel ongoing supply chain issues and inflationary pressures in the global economy. China's authorities are already reacting to signs of economic weakness, with interest rate cuts from the central bank – its first rate reduction since April 2020.
- Inflation figures remained firmly fixed in the spotlight last week. US consumer prices (CPI) for December hit a 39-year high versus the same period in 2020; however, versus the previous two months (October and November 2021) the data pointed to signs of slowing. Meanwhile, the latest US producer price inflation data showed signs of pricing pressures beginning to ease off. Some of the key factors pushing inflation higher (like gasoline prices) are also coming down from their recent highs.
- We continue to believe that inflationary pressures are (or are close to) peaking. This would be helpful for riskier asset types like shares, least not because it detracts from suggestions that the US central bank needs to speed up its interest rate raising plans. A lower interest rate environment is usually helpful for share prices, as it allows businesses to finance their operations more cheaply and improves the potential for future earnings.

Weekly market moves

Most global stock markets were weaker in sterling terms, though the UK and emerging markets delivered positive performance.

Bonds had a better week, despite the release of mixed inflation data.

Commodities held on to their early position as 2022's best performing asset class so far.

What to look out for this week

The latest 'corporate earnings season' picks up the pace this week, with many of the world's largest companies reporting their results and delivering their outlooks for the future.

UK consumer inflation data (CPI) for December will be released – the last before the next Bank of England policymaker meeting in early February.

Market moves (as at 14 January 2022)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,136.2	1.0%	2.7%	2.7%
MSCI United Kingdom Mid Cap	1,403.4	-3.1%	-4.2%	-4.2%
MSCI United Kingdom Small Cap	459.4	-2.9%	-4.0%	-4.0%
MSCI World (GBP)	2,411.9	-0.9%	-2.8%	-2.8%
S&P 500 (GBP)	4,662.9	-1.1%	-3.1%	-3.1%
MSCI Japan (GBP)	1,220.6	-0.3%	-0.6%	-0.6%
MSCI Europe ex-UK (GBP)	1,705.9	-1.4%	-2.5%	-2.5%
MSCI Pacific ex-Japan (GBP)	1,703.1	0.0%	-0.8%	-0.8%
MSCI Emerging Markets (GBP)	71,303.3	1.8%	1.1%	1.1%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,326.0	0.5%	-1.7%	-1.7%
BoA Merrill Lynch Index-Linked Gilts	653.1	2.8%	-0.1%	-0.1%
BoA Merrill Lynch £ Corporate	463.5	0.3%	-1.0%	-1.0%
Commodities				
Oil (West Texas Intermediate, GBP)	\$83.8	5.2%	10.1%	10.1%
Gold (GBP)	\$1823.0	0.9%	-0.1%	-0.1%
S&P / GSCI (GBP)	2,963.1	2.8%	5.7%	5.7%

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.

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