Handelsbanken
Asset Management

30 November 2020

# Weekly Bulletin: An uneasy picture for the UK economy

## Key takeaways

As we enter the final month of an all too memorable year, COVID-19, its human cost, and its economic ramifications remain centre stage. Waiting in the wings, Brexit negotiations are down to the wire, and the US transition to a new presidential administration has begun.

- Europe is once again the epicentre for COVID-19 infections. The US has tended to lag behind the patterns seen in Europe, meaning that we can expect to see an increase in cases there in the coming weeks. Meanwhile, Asia is once again handling the virus much better than its international peers, just as it did during the so-called 'first wave' of infections.
- On home shores, the government confirmed which regional restrictions will refer to which parts of England when the nationwide lockdown ends this week. Across the UK, fatality levels are currently much lower than those witnessed in the spring, but are sadly forecast to increase over the coming weeks, before potentially falling again as we reach the end of the year.
- Sticking with the UK, sobering forecasts from the Office for Budget Responsibility suggest that the economy will shrink by over 11% in 2020 as a whole. This will be the largest contraction in more than 300 years, with the economy only predicted to return to its pre-pandemic size at the end of 2022, and the scars from the COVID-19 crisis still visible for years to come.
- The latest economic survey data in the UK also pointed to a predictably bleak picture for the service sector, though manufacturing has held up considerably better. Worryingly, survey respondents also reported a decline in employment in November versus October – this comes in spite of support measures such as the furlough scheme. Unemployment is now forecast to almost double to 7.5% next year.
- In the US, President Trump has agreed to a smooth presidential transition to his successor Joe Biden. However, Trump may never formally concede, and may not attend Biden's inauguration. In the meantime, Biden has begun building his White House team. Rumours that former central bank head Janet Yellen could become Treasury Secretary have been well received by financial markets – Yellen is known to be in favour of ultra-supportive economic measures.

## Weekly market moves

In a solid week for global stock markets, Japanese and North American markets were the strongest contenders.

With riskier assets more attractive to investors, bonds were fairly flat over the week with inflation-linked bonds outperforming.

In commodities, gold gave back some of its gains from earlier in the year, while oil (in particular Brent crude) continued to rise.

## What to look out for this week

With US unemployment benefit applications rising for the past two weeks running, there are concerns over slowing momentum in the US labour market. November's employment data – released on Friday – will be closely watched.

With little time left this year to agree and ratify a Brexit deal, face-to-face negotiations are back underway as we speak. Major sticking points continue to be fishing rights, a level playing field for businesses, and how to enforce any deal.

## Market moves (as at 27 November 2020)

| | Index Levels | Last Week | Month to Date | Year to Date |
|---|---|---|---|---|
| **Equity** | | | | |
| MSCI United Kingdom | 1,788.6 | 0.3% | 14.9% | -14.4% |
| MSCI United Kingdom Mid Cap | 1,197.5 | -1.3% | 11.9% | -7.8% |
| MSCI United Kingdom Small Cap | 401.3 | -0.7% | 14.2% | -10.4% |
| MSCI World (GBP) | 1,957.1 | 2.0% | 10.1% | 11.7% |
| S&P 500 (GBP) | 3,638.4 | 1.9% | 8.0% | 13.7% |
| MSCI Japan (GBP) | 1,088.9 | 3.0% | 11.0% | 11.6% |
| MSCI Europe ex-UK (GBP) | 1,416.6 | 1.7% | 14.3% | 6.8% |
| MSCI Pacific ex-Japan (GBP) | 1,601.5 | 1.2% | 13.2% | 2.4% |
| MSCI Emerging Markets (GBP) | 69,038.9 | 1.3% | 8.1% | 12.0% |
| **Bonds** | | | | |
| BoA Merrill Lynch Conventional Gilts | 1,404.1 | 0.5% | -0.3% | 7.2% |
| BoA Merrill Lynch Index-Linked Gilts | 622.8 | 1.5% | -0.5% | 10.1% |
| BoA Merrill Lynch £ Corporate | 474.6 | 0.7% | 2.0% | 6.9% |
| **Commodities** | | | | |
| Oil (West Texas Intermediate, GBP) | $45.5 | 8.0% | 23.8% | -26.1% |
| Gold (GBP) | $1779.3 | -5.6% | -8.4% | 16.6% |
| S&P / GSCI (GBP) | 1,877.5 | 3.3% | 9.3% | -28.1% |

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.

## Important Information



Registered Head Office: No.1 Kingsway, London, WC2B 6AN.  Registered in England No: 4132340.  www.wealthandasset.handelsbanken.co.uk
Telephone: 020 7045 2600