

## Weekly Bulletin: The stock market mood remains buoyant

### Key takeaways

Investors continued to regain their confidence over the past week, with US and European stock markets particularly strong. Rates of COVID-19 infections are falling globally, but with pockets of resurgence in evidence in key regions.

- Last week marked one year since the World Health Organisation declared the global COVID-19 outbreak a pandemic. As vaccination programmes around the world continue to gather steam, the UK remains well placed in a global context – around 35% of the UK population has received a first dose of the vaccine. In tandem, rates of new confirmed COVID-19 cases and deaths are falling across the globe, though there are pockets of resurgence in areas such as South America (most notably Brazil) and Europe (Italy enters another lockdown period today).
- The appetite for risk in financial markets continued to recover over the course of the week, particularly in the US (which hit new highs) and Europe. However, for 2021 so far, the UK stock market is leading the way in performance terms.
- President Biden's \$1.9trn American Rescue Plan was signed into law last week. Discussions in Washington have already shifted to the topic of a follow-up multi-trillion dollar infrastructure plan, though there are fears about further adding to the growing US federal debt burden. During a primetime public address, Biden also stated that he anticipated most adults would be vaccinated against COVID-19 by 1 July.
- In economic data news, US consumer sentiment rose to its highest level in a year. This has yet to feed through into data covering small business optimism, but we should now expect a rebound in such areas.
- In US labour markets, job openings figures have returned to pre-pandemic highs, leading to a pickup in forward-looking inflation expectations. However, over the weekend, Treasury Secretary Yellen referred to inflation risks as small and manageable. The latest rhetoric from government policymakers and leading central bankers around the world remains clear: they have no plans to imminently taper their ultra-supportive policies.

### Weekly market moves

Stock markets were buoyant last week, with the share prices of small and mid-sized companies in the US performing especially well.

Following last month's rapid bond market moves, the real yield (which is adjusted for inflation) on the US government's 2-year bond has now returned to close to its former lows.

The oil price fell slightly following a very strong start to 2021.

### What to look out for this week

Investors will be closely watching a meeting of US Federal Reserve Bank policymakers on Wednesday, which could set the tone for bond markets over the coming weeks.

The Bank of England's ruling committee will give an update on its own latest policy decisions on Thursday (no changes to current plans are expected to be announced).

## Market moves (as at 12 March 2021)

	Index Levels	Last Week	Month to Date	Year to Date
<b>Equity</b>				
MSCI United Kingdom	1,894.0	1.8%	4.5%	5.6%
MSCI United Kingdom Mid Cap	1,297.9	3.3%	4.3%	4.1%
MSCI United Kingdom Small Cap	449.8	2.6%	3.0%	5.8%
MSCI World (GBP)	2,112.8	2.4%	3.7%	3.0%
S&P 500 (GBP)	3,943.3	2.1%	4.2%	3.6%
MSCI Japan (GBP)	1,191.2	1.5%	2.4%	0.6%
MSCI Europe ex-UK (GBP)	1,517.7	3.6%	3.4%	1.4%
MSCI Pacific ex-Japan (GBP)	1,678.7	0.6%	2.2%	3.5%
MSCI Emerging Markets (GBP)	75,764.2	0.2%	1.4%	3.0%
<b>Bonds</b>				
BoA Merrill Lynch Conventional Gilts	1,321.3	-0.7%	0.2%	-7.3%
BoA Merrill Lynch Index-Linked Gilts	587.4	-0.1%	1.4%	-6.7%
BoA Merrill Lynch £ Corporate	461.5	-0.6%	-0.1%	-4.3%
<b>Commodities</b>				
Oil (West Texas Intermediate, GBP)	\$65.6	-1.3%	7.2%	33.4%
Gold (GBP)	\$1704.8	0.0%	-1.6%	-11.1%
S&P / GSCI (GBP)	2,363.9	-0.5%	3.7%	17.6%

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