

Weekly Bulletin: Financial markets enjoy an optimistic week

Key takeaways

The global economic recovery continues to pick up steam, while mainland Europe lags behind in the great vaccination race. As confirmed new cases rise in Brazil, Latin America has returned to its undesirable spot at the epicentre of the COVID-19 pandemic.

- The race to vaccinate populations against COVID-19 continues. With several vaccines available, good progress is being made, and more than 750m doses have been administered worldwide. In the UK, the most recent figures suggest that around half of the eligible population has been vaccinated, increasing hopes for herd immunity.
- However, even as vaccination programmes roll out, the global rate of deaths due to COVID-19 has begun to pick up once more. Signs of a 'third wave' appear to have been driven by rising cases in Brazil, putting Latin America back at the epicentre of the global pandemic.
- The speed of economic recovery across the world remains dependent on the success of vaccination rollouts. The UK continues to make solid progress, and in England the government has allowed outdoor dining and 'non-essential' shops to reopen today (Monday 12 April). In the US, economic activity has almost returned to pre-pandemic levels, but mainland Europe is still lagging behind. Figures released last week also showed that German industrial output had fallen unexpectedly, while French industrial output was low too.
- Overall, though, the global economic recovery is gaining momentum, reflected in recent revisions to growth projections by the IMF (International Monetary Fund) for 2021 and 2022. A considerable portion of this ongoing recovery can be attributed to concerted support from the world's leading central banks, which is set to continue, if newly released minutes from the US Federal Reserve Bank (Fed) are any indicator. The Fed's leading policymakers confirmed that supportive policies would remain in place until 'substantial further progress' has been made towards its employment and inflation goals.
- The latest data from both China and the US showed higher-than-expected producer price inflation – the result of rising commodity prices. China's consumer price inflation data remained muted, supporting the notion that inflationary pressures are currently being driven primarily by rising supply costs, rather than by higher demand for goods and services. Bond markets – often quick to react to inflationary concerns – took these figures in their stride.

Weekly market moves

It was a strong week for global stock markets. Both US and European markets hit record highs, thanks to positivity surrounding the economic recovery and upbeat US employment data released in the previous week.

Bonds were calm over the seven-day period, with yields moving slightly lower (prices, which move inversely to yields, moved up slightly).

Against this backdrop, the gold price made gains, while oil performed poorly.

What to look out for this week

The latest US inflation data will be released on Tuesday, with many analysts expecting this figure to rise sharply over the months ahead.

Another 'corporate earnings' results season begins in earnest. A number of large US financial names are set to release their results for the first quarter of 2021 and projections for the period ahead in the coming days.

Market moves (as at 9 April 2021)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	1,938.9	2.7%	3.0%	8.4%
MSCI United Kingdom Mid Cap	1,359.1	3.3%	5.1%	9.6%
MSCI United Kingdom Small Cap	466.8	2.5%	3.8%	10.0%
MSCI World (GBP)	2,194.3	3.1%	4.1%	8.3%
S&P 500 (GBP)	4,128.8	3.4%	4.5%	9.9%
MSCI Japan (GBP)	1,196.9	1.0%	1.8%	2.6%
MSCI Europe ex-UK (GBP)	1,572.0	3.1%	3.7%	6.4%
MSCI Pacific ex-Japan (GBP)	1,724.7	2.7%	2.9%	6.7%
MSCI Emerging Markets (GBP)	75,079.5	0.1%	1.6%	3.0%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,330.3	0.4%	0.9%	-6.6%
BoA Merrill Lynch Index-Linked Gilts	592.2	-1.0%	0.4%	-6.0%
BoA Merrill Lynch £ Corporate	464.4	0.4%	0.8%	-3.7%
Commodities				
Oil (West Texas Intermediate, GBP)	\$59.3	-2.8%	0.7%	22.1%
Gold (GBP)	\$1741.2	1.5%	3.5%	-8.2%
S&P / GSCI (GBP)	2,263.3	0.1%	1.3%	14.0%

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