

Weekly Bulletin: Economic data continues to send positive signals

Key takeaways

US data continues to point to recovery in the world's leading economy, while despite the proliferation of the 'Delta variant' there are ongoing reasons to be positive about the outlook for recovery in human health too.

- The latest survey data indicated that US economic activity continues to rebound. The ISM manufacturing survey has proven over many decades to be a powerful leading indicator of US economic activity, despite the fact that manufacturing accounts for a relatively small part of the US economy. June's reading came in around the level last seen in mid-2004, when the economy was rebounding following the bursting of the so-called tech bubble.
- Meanwhile, US employment data is also improving, albeit slowly. Since May last year, 'non-farm' payroll data (a measure of the US workforce which excludes agricultural workers and a small number of other sectors) has shown improvement in all but one month. In March and April 2020, 22.4 million jobs were taken out of the US workforce due to the COVID-19 pandemic, but a total of 15.6m jobs have since been added back.
- On home shores, UK household deposits (savings) declined in May. UK consumers did continue to repay credit card debt, they also borrowed more than they paid off for the first time since last summer. Data suggests that this borrowing was fuelled by personal finance and car loans.
- In pandemic news, despite the rapid increase in new cases in the UK, registered deaths are back to normal levels for this time of year. Nevertheless, the 'Delta variant' of the COVID-19 virus poses a major risk, and its proportion among cases has doubled (at least) over the past week in Germany and France. Further afield, Australia is also struggling to contain an outbreak of the Delta variant, despite an extremely low number of cases overall.
- With this in mind, it is important to remind ourselves that the vaccines are also working, and vaccination programmes are reducing hospitalisations and deaths versus the peak of the pandemic crisis. Even in London, which has the lowest rate of vaccination in the country, the evidence that vaccines are working is compelling. New cases are currently concentrated in younger age groups, with fatalities fortunately relatively few.

Weekly market moves

A positive week overall for global stock markets saw emerging markets play the laggard, underperforming their developed market counterparts in a strong US dollar environment.

Bond prices rose marginally over the week (bond yields, which move inversely to prices, fell).

Commodities performed well over the seven-day period, with oil and precious metals (such as gold and silver) in positive territory.

What to look out for this week

This Wednesday will see the release of the FOMC (Federal Open Market Committee) minutes which will give more insight into the outlook for US interest rates, especially after recent policymaker suggestions that we could see rate hikes in 2023.

At the end of this week, the G20 finance ministers and central bank governors will meet in Venice, where they will continue to discuss changes to global corporate taxes.

Market moves (as at 2 July 2021)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,001.0	-0.1%	1.2%	12.7%
MSCI United Kingdom Mid Cap	1,389.7	0.4%	1.6%	12.8%
MSCI United Kingdom Small Cap	474.9	0.4%	1.8%	12.6%
MSCI World (GBP)	2,299.9	1.7%	1.2%	13.5%
S&P 500 (GBP)	4,352.3	2.7%	1.5%	15.8%
MSCI Japan (GBP)	1,198.3	0.2%	0.6%	1.0%
MSCI Europe ex-UK (GBP)	1,642.8	-0.3%	0.8%	11.9%
MSCI Pacific ex-Japan (GBP)	1,762.6	-0.5%	-0.3%	8.2%
MSCI Emerging Markets (GBP)	75,850.6	-0.7%	-1.1%	5.2%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,344.3	0.7%	0.2%	-5.7%
BoA Merrill Lynch Index-Linked Gilts	610.2	-0.1%	-0.1%	-3.1%
BoA Merrill Lynch £ Corporate	470.8	0.6%	0.2%	-2.4%
Commodities				
Oil (West Texas Intermediate, GBP)	\$75.2	2.2%	2.5%	54.2%
Gold (GBP)	\$1786.2	0.9%	1.5%	-6.2%
S&P / GSCI (GBP)	2,624.4	3.1%	1.3%	31.6%

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.

Important Information

Handelsbanken Asset Management is a trading name of Handelsbanken Wealth & Asset Management Limited which is authorised and regulated by the Financial Conduct Authority (FCA) in the conduct of investment business and is a wholly-owned subsidiary of Handelsbanken plc.

This document has been prepared by Handelsbanken Asset Management for clients and/or potential clients who may have an interest in its services. Nothing in this communication constitutes advice to undertake a transaction and professional advice should be taken before investing. Any observations are Handelsbanken Asset Management's commentary on markets and its own investment strategy. This material is not investment research and the content should not be treated as an offer or invitation to buy or sell securities or otherwise trade in any of the investments mentioned.

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