

Weekly Bulletin: Some positive signals for economic recovery

Key takeaways

While the Suez Canal unexpectedly surged into the headlines last week, a range of economic data sent out positive signals on the global recovery.

- Having popped up in media headlines throughout the past week, a large ship – the Ever Given – continues to block the Suez Canal. 30% of shipping containers, and 12% of global trade, pass through this key waterway, and the estimated cost of the blockage amounts to around \$400m per hour. However, at the time of writing, the ship has been turned and is close to re-floating. Further, while the Suez Canal is evidently an important route, it is just one shipping channel, and many ships have already been re-routed around the Horn of Africa. Events like this can create very short-term boosts to inflation, but it is important to put this in context as a very short-lived, unusual event.
- According to March data, inflation remains low in the UK – coming in at 0.4% versus the same time last year. It is worth noting that the next round or two of data (in April and May) could well show a slight boost to year-on-year inflation figures, as a result of price falls in the same period last year. Meanwhile, average earnings in the UK are now up 4.8% versus March 2020, pointing to quite strong wage growth in those sectors less impacted by lockdowns. When paired with low inflation, rising wages are often viewed as a positive for economic growth.
- In other economic data news, European activity surveys are rebounding, in spite of vaccine rollout issues and the third wave of COVID-19 breaking out across the continent. Data indicates that although services sectors remain in contraction, manufacturing is booming.
- Across the Atlantic Ocean, weekly new unemployment claims in the US hit their lowest level since the start of the COVID-19 pandemic. For context, US unemployment spiked in the springtime last year, amid the initial shock of the pandemic. Following an initial sharp recovery in the jobs market, unemployment is now falling relatively slowly.
- Tensions between the US and China continue to rumble on in the background. Last week, Biden acknowledged that China would like to become the most wealthy, powerful country in the world, but claimed that this was 'not gonna happen on my watch'. Watch this space.

Weekly market moves

Stock markets around the globe were relatively subdued last week, delivering mixed results over the seven-day window.

One of 2021's big winners so far – the shares of smaller and mid-sized US companies – cooled off a little over the week.

There were small gains in bond and commodity markets, but nothing out of the ordinary.

What to look out for this week

On Wednesday, President Biden will unveil a new infrastructure programme, in keeping with his 'Build Back Better' presidential campaign. His campaign manifesto placed significant emphasis on a green and sustainable economy.

Manufacturing sector survey data (the Purchasing Managers' Index) is due for release on Thursday, covering a range of nations including the UK, US, and mainland Europe.

Financial markets in a number of countries will be closed for the Good Friday bank holiday.

Market moves (as at 26 March 2021)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	1,889.9	0.7%	4.5%	5.6%
MSCI United Kingdom Mid Cap	1,304.0	0.9%	5.1%	4.9%
MSCI United Kingdom Small Cap	450.6	0.5%	3.3%	6.1%
MSCI World (GBP)	2,125.2	1.3%	4.8%	4.1%
S&P 500 (GBP)	3,974.5	2.2%	5.8%	5.3%
MSCI Japan (GBP)	1,206.2	-1.4%	3.9%	2.1%
MSCI Europe ex-UK (GBP)	1,534.9	0.6%	4.3%	2.3%
MSCI Pacific ex-Japan (GBP)	1,688.9	0.4%	2.6%	3.9%
MSCI Emerging Markets (GBP)	73,795.3	-1.6%	-0.9%	0.7%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,334.8	1.1%	1.3%	-6.3%
BoA Merrill Lynch Index-Linked Gilts	601.7	1.7%	3.9%	-4.5%
BoA Merrill Lynch £ Corporate	464.0	0.9%	0.4%	-3.8%
Commodities				
Oil (West Texas Intermediate, GBP)	\$61.0	-0.2%	0.4%	25.0%
Gold (GBP)	\$1731.8	0.4%	0.7%	-9.1%
S&P / GSCI (GBP)	2,276.5	0.4%	0.6%	14.1%

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.

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