

## Weekly Bulletin: US central bank comforts nervous investors

### Key takeaways

In a week that saw some easing off in economic survey data, markets were reassured by a comforting tone from the US central bank. Meanwhile, vaccine booster shots remain a hot topic, as global leaders look for ways to manage the COVID-19 pandemic over the longer term.

- The head of the US Federal Reserve Bank (Fed) has indicated that the central bank will likely begin tapering its asset purchase programme (which injects more liquidity into the financial system) before the end of this year. In an economic symposium speech, Chair Powell highlighted progress in the Fed's dual targets for inflation and employment. However, he also stressed that interest rate hikes are not imminent – a message welcomed by financial markets.
- More than 18 months have passed since the wider emergence of the COVID-19 pandemic, and challenges continue to arise. The Delta variant of the virus remains a problem, with some global regions (such as Australia and New Zealand) implementing fresh restrictions. However, there are hopeful signs too – perhaps most importantly, the number of new cases at a global level appears to be plateauing.
- At present, vaccinations remain the key to resuming economic activity, and booster shots are still a hot topic; both the UK and US have plans to introduce a third dose of the vaccine, while Israel (the poster child for vaccinations in this pandemic) has already made booster shots available.
- An early look at the latest economic survey data (Purchasing Managers Indices, or 'PMIs') pointed to a slowdown in growth for manufacturing and service sectors across the world. However, some easing off was inevitable in the wake of the sharp burst in economic activity that followed the lows of the pandemic. Importantly, PMI data remains in expansionary territory – pointing to healthy (if slowing) growth.
- These 'flash' PMI figures joined a package of weak recent economic data, including readings for German business confidence and US consumer sentiment. A number of factors are likely to be driving this, including the issue of supply constraints. From McDonalds running out of milkshakes in many UK outlets, to semiconductor shortages impacting UK car manufacturing, supply chain problems have been well-publicised on home shores. However, we believe that factors like this should begin to ease as we continue to emerge from the pandemic.

### Weekly market moves

Global stock markets reacted positively to a reassuring tone from the head of the US central bank. US stock markets closed at another record high on Friday, with US smaller companies leading the way, while emerging markets rebounded after a few weeks of muted performance.

Bonds were fairly flat over the seven-day period, with the prices of government bonds falling more than those of their inflation-linked and corporate counterparts (yields rose, due to the inverse relationship between bond yields and prices).

Commodities rallied, with the oil price performing exceptionally well.

### What to look out for this week

Following early (flash) survey readings released in recent days, firm economic survey data is due for release throughout the week, covering manufacturing and service sectors across the globe.

The US jobs report due for release on Friday will be a key area of focus for markets. The pace of new hires may have eased off in August following a strong July figure, but unemployment is expected to have fallen further overall.

## Market moves (as at 27 August 2021)

	Index Levels	Last Week	Month to Date	Year to Date
<b>Equity</b>				
MSCI United Kingdom	2,004.4	0.9%	2.3%	14.2%
MSCI United Kingdom Mid Cap	1,437.6	1.0%	2.4%	17.3%
MSCI United Kingdom Small Cap	500.4	1.4%	5.1%	19.0%
MSCI World (GBP)	2,377.2	1.1%	3.8%	17.7%
S&P 500 (GBP)	4,528.8	0.9%	4.3%	20.9%
MSCI Japan (GBP)	1,191.3	2.3%	3.5%	1.9%
MSCI Europe ex-UK (GBP)	1,703.4	0.7%	3.2%	16.2%
MSCI Pacific ex-Japan (GBP)	1,774.5	1.4%	1.7%	8.0%
MSCI Emerging Markets (GBP)	72,182.6	4.2%	1.9%	0.6%
<b>Bonds</b>				
BoA Merrill Lynch Conventional Gilts	1,378.3	-0.8%	-0.2%	-3.3%
BoA Merrill Lynch Index-Linked Gilts	666.2	0.8%	2.6%	5.8%
BoA Merrill Lynch £ Corporate	478.1	-0.5%	0.1%	-0.9%
<b>Commodities</b>				
Oil (West Texas Intermediate, GBP)	\$69.2	10.0%	-5.4%	42.2%
Gold (GBP)	\$1798.5	0.0%	-0.4%	-5.3%
S&P / GSCI (GBP)	2,589.3	6.0%	-0.8%	30.1%

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