

Weekly bulletin: Global share prices struggle to find their feet

Key takeaways

Share prices have struggled to make headway so far in 2022, with investors reassessing the stock market's relative winners and losers. Meanwhile, the Omicron variant of the COVID-19 virus continues to challenge policymakers around the world.

- Population restrictions have been on the rise in recent weeks, as leaders around the world respond to the rising Omicron variant. This surge of restrictions runs counter to the course charted by global policymakers for much of 2021, when the easing of restrictions appeared to be the ultimate goal. The potential for further lockdowns makes the pandemic an ongoing threat to global growth, though countries that ease restrictions more quickly and consistently should see growth recover, provided subsequent variants do not further derail the situation.
- It is important to remember that while the economic costs of the virus have the potential to remain high, COVID-19's status as a public health threat appears to have diminished in many nations. Immunity has increased since the earlier Delta variant, with hospitalisations relatively muted compared to prior spikes in case numbers. This lends credence to the UK government's policy of learning to live with the virus, and calls into question the zero-tolerance approach of countries like China.
- Further highlighting the impact of population restrictions on economic activity, retail sales in the UK fell by much more than anticipated in December. According to the latest data from the Office for National Statistics, sales volumes dropped by 3.7% in December (versus just 0.6% predicted) following a month of strong pre-Christmas trading in November. A rush of COVID-19 cases over the festive period (as the Omicron variant made its presence known, and 'work from home guidance' was reintroduced) is thought to be the root cause.
- Meanwhile, policymakers at the Bank of Japan held their monthly meeting last week. As expected, the committee revised its inflation forecasts amid rising import costs (thanks to higher energy prices and a weakening Japanese currency), but left interest rates and other measures unchanged. Elsewhere in the world of central banks, we have entered a quiet period for US policymaker news: key committee members at the US Federal Reserve Bank will make no further public comments until after their official meeting later this week.

Weekly market moves

In a very challenging week for global stock markets, virtually all major regional markets saw declines in sterling terms.

Erstwhile winners (such as the shares of small and mid-sized companies, growth-oriented businesses, and technology sector firms) have been penalised in recent weeks, responding to inflation data and the US central bank's plans to begin to raise interest rates.

Global bond yields are rising (though still low) as concerns about inflation expectations become embedded in bond markets.

What to look out for this week

Policymakers at the US Federal Reserve hold their committee meeting this week. Market commentators predict that it could be their final meeting before interest rate rises begin again.

UK politics will be under the spotlight, as senior civil servant Sue Gray delivers her report on gatherings in the Downing Street and Whitehall area during periods of social restrictions in 2020.

Market moves (as at 21 January 2022)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,125.3	-0.5%	2.2%	2.2%
MSCI United Kingdom Mid Cap	1,389.7	-1.0%	-5.1%	-5.1%
MSCI United Kingdom Small Cap	449.5	-2.1%	-6.0%	-6.0%
MSCI World (GBP)	2,302.6	-3.7%	-6.4%	-6.4%
S&P 500 (GBP)	4,397.9	-4.8%	-7.7%	-7.7%
MSCI Japan (GBP)	1,189.5	-1.5%	-2.1%	-2.1%
MSCI Europe ex-UK (GBP)	1,679.5	-1.3%	-3.8%	-3.8%
MSCI Pacific ex-Japan (GBP)	1,684.9	-0.4%	-1.2%	-1.2%
MSCI Emerging Markets (GBP)	70,604.5	-0.1%	1.0%	1.0%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,319.6	-0.5%	-2.2%	-2.2%
BoA Merrill Lynch Index-Linked Gilts	637.2	-2.4%	-2.6%	-2.6%
BoA Merrill Lynch £ Corporate	461.1	-0.5%	-1.5%	-1.5%
Commodities				
Oil (West Texas Intermediate, GBP)	\$85.1	2.5%	12.9%	12.9%
Gold (GBP)	\$1837.6	1.8%	1.7%	1.7%
S&P / GSCI (GBP)	3,023.4	3.0%	8.9%	8.9%

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