

Weekly Bulletin: UK growth rebounds while US consumers falter

Key takeaways

The UK economy rebounded strongly in the spring, outpacing its international peers. Meanwhile in the US, growth in inflation levels appeared to be moderating and consumer confidence levels are faltering.

- US inflation has surprised financial markets in recent months, but early signs suggest that growth in inflation may now be slowing down. July's headline data (which includes goods with volatile pricing like energy and food) showed that inflation rose by 0.5% in July, versus 0.9% in June. Importantly, broadly favourable US inflation data reduces the risk of the US Federal Reserve Bank being forced to taper its programme of injecting liquidity into the economy (quantitative easing) earlier than expected. This should in turn avoid related disruption in bond markets.
- Sticking with US economic data, last week also delivered a surprise fall in US consumer confidence readings. The unexpectedly large drop in August's preliminary data saw US consumer sentiment reach its lowest level since December 2011. This highlights consumer concerns surrounding a more pronounced slowdown in economic growth, resulting from rising prices (inflation) and the impact of the Delta variant of COVID-19 on the ongoing economic recovery.
- In the UK, the economy appears to be rebounding strongly, growing by 4.8% in the second quarter of 2021 – the fastest rate among major developed countries (the G7). This strong rebound in economic activity was underpinned by a resurgence in consumer spending, which rose by 7.3%. In June – the final month of the second quarter – the reopening of restaurants and pubs led to a 10.1% surge in food and beverage sector. However, the economy remains some way below its pre-pandemic levels, and growth in July (the first month of the next quarter of the year) is likely to have moderated, partly due to the spread of the Delta variant.
- At present, many countries are struggling to find the optimal route out of the pandemic crisis. The UK has been one of the few countries to fully reopen its economy, and to relative success; new cases, hospitalisations and deaths have plateaued, largely thanks to a high vaccination rate among UK adults. Other countries with high vaccination rates (such as Israel and the Netherlands) initially removed restrictions, only to reintroduce them as the Delta wave hit. Meanwhile in China, the Ningbo-Zhoushan port (the world's third largest cargo port) has been closed down due to a single confirmed case of COVID-19, with significant potential knock-on effects for global trade and supply chains.

Weekly market moves

Last week, global stock markets were broadly positive. The US, UK and Europe led the way, while emerging markets were the laggards.

There was little movement in bond prices (or yields) over the same period.

It was a slightly mixed week for commodities: gold was fairly flat, while oil weakened.

What to look out for this week

Tuesday will see the release of July data covering US retail sales, industrial production and housing starts (new residential construction projects).

Market moves (as at 13 August 2021)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,027.8	1.6%	3.1%	15.1%
MSCI United Kingdom Mid Cap	1,442.7	1.2%	2.5%	17.4%
MSCI United Kingdom Small Cap	494.1	1.6%	3.7%	17.4%
MSCI World (GBP)	2,359.4	1.0%	2.3%	16.0%
S&P 500 (GBP)	4,468.0	0.8%	2.1%	18.4%
MSCI Japan (GBP)	1,197.4	1.8%	3.3%	1.7%
MSCI Europe ex-UK (GBP)	1,714.0	1.8%	3.0%	16.0%
MSCI Pacific ex-Japan (GBP)	1,801.2	1.0%	2.8%	9.1%
MSCI Emerging Markets (GBP)	72,179.4	-0.8%	0.7%	-0.6%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,383.7	0.6%	0.2%	-2.9%
BoA Merrill Lynch Index-Linked Gilts	656.2	0.0%	1.1%	4.2%
BoA Merrill Lynch £ Corporate	478.7	0.3%	0.2%	-0.8%
Commodities				
Oil (West Texas Intermediate, GBP)	\$68.4	-1.1%	-7.1%	39.7%
Gold (GBP)	\$1773.9	0.7%	-2.5%	-7.3%
S&P / GSCI (GBP)	2,565.1	0.7%	-2.4%	28.0%

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