# Wealth Management
# Weekly Market Update

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Published 26 April 2021

## Market Update

Equity markets ended the week largely unchanged, with the largest movements seen in Japanese and UK stocks. UK equities fell -1.1%, driven in part by a falling oil price, as the global economic outlook increasingly uncertain, with clear inequality in the vaccination progress between regions, dampening expected demand for oil. US equities fell -0.3% in Sterling terms, with plans to raise capital gains tax only making a slight impact on US markets. European equities rose +0.2% in Sterling terms due to currency effects, having fallen -0.4% in local currency terms. Emerging markets were the only risers in local currency terms, and were up +0.1% in Sterling terms. Globally the best performing sector was healthcare, whilst energy was the worst performing. The US 10Y yield fell slightly by 2.2 bps to 1.6%, while the UK 10Y fell 2 bps to 0.7%. Gold fell -0.2% on the week. Oil fell as the economic outlook deteriorated, down -1.7% on the week to $62.1.

| UK Stocks | US Stocks | EU Stocks | Global Stocks | EM Stocks | Japan Stocks | Gilts | GBP/USD |
|---|---|---|---|---|---|---|---|
| ▼-1.1% | ▼ -0.3% | ▲ +0.2% | ▼ -0.4% | ▲ +0.1% | ▼ -1.8% | ▲ +0.3% | ▲ +0.3% |

*all returns in GBP to Friday close*

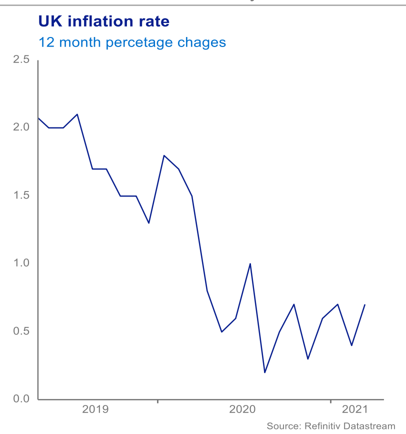
## Macro News

- The eurozone composite Purchasing Manger's Index (PMI) rose higher than expected to 53.7 in April, reaching a nine-month high according to flash estimates. The manufacturing sector's business activity grew at a record high while the services sector returned to growth after eight consecutive months of contraction.
- The US labour market continues to strengthen as initial jobless claims reached the lowest level since March 2020, but remained higher than pre-pandemic averages.
- The European Central Bank vowed to keep the pace of its asset purchasing programme unchanged, highlighting its determination to keep borrowing costs low. The estimated pace of approximately €17bn worth of asset purchases on a weekly basis is still considered essential to maintain the economy on a stable path to recovery.

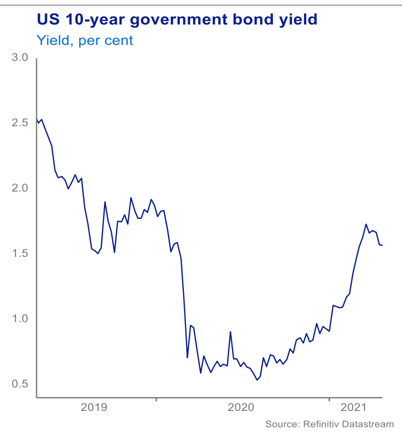
## The Week Ahead

- The US Federal Reserve meeting will take place this week. Investors will be eager to hear the Fed's view on the rising inflation rate and its impact on the pace of its monthly asset purchasing programme.
- PMI data for China will be closely monitored this week for signs of further expansion as the economic recovery continues.

## Week in Charts




The UK inflation rate rose at an annual rate of 0.7% in March, 0.3% higher than the February rate according to the Office for National Statistics. The rise was slightly lower than the consensus estimates of 0.8% and was influenced by higher motor fuel and clothing prices that were partly offset by decreasing prices of food.




The US 10-year government yield is at approximately 1.57%, having decreased from its 2021 peak. Despite the strong economic data and the progress with vaccinations, the yield is still expected to exhibit volatility over the short to medium term given that inflation risks are looming.

## View From the Desk

Apart from some volatility around news that the US government was considering hiking capital gains taxes for very high-income families and some hawkish thoughts during the latest ECB meeting, last week featured a dearth of financial news. On the economic front, annual indicators are now extremely volatile as current numbers compare against the same chaotic period last year. Investment managers will probably have to ignore most economic gauges in the next few months, at least until a modicum of normality returns to global value chains.

Instead, managers should focus on the key driver of economic activity which is still Covid-19. Despite the positive narrative and high vaccination rates in the US and the UK, investors should be attuned to persistently low vaccination rates in Europe and globally. News about renewed lockdowns in Germany and France and a very sharp spike in India have already drawn the attention of markets. Supply chains are again under threat. Wounded by last year's experience, when markets initially failed to react to the Wuhan news and dropped sharply after the first death in Italy, the investment world will likely remain particularly sensitive to the pandemic news flow. The latest variant to trouble health officials, the so-called 'Indian' B.1.617 variant, has drawn some investor concern.

Portfolio managers worried about new variants, coupled with 'lockdown fatigue' in the developed world and low vaccine availability in many emerging markets, may understand that while valuations reflect a normalisation of earnings, the fight against the pandemic is far from over. That also means that risk assets will remain correlated to stimulus availability, both on the monetary and the fiscal front.

***David Baker, CIO***



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