Wealth Management
Weekly Market Update

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Market Update

Global equities rebounded last week after a period of weak performance. US equities led the way in Sterling terms, up +2.1%. UK, European and emerging market equities gained +1.8%, +1.1% and +0.8% respectively. Although up in local terms, weak Yen performance saw Japanese equities fall -0.3% in Sterling terms. US equities are now trading at all-time highs, despite mixed news on President Joe Biden's infrastructure plan, which now looks most likely to be limited to $1tn over ten years unless Democrats can pass legislation through reconciliation. It was another strong week for cyclical stocks, with energy, financials and materials the three best performing sectors globally. Sterling gained +0.5% vs the US Dollar, although was marginally down vs the Euro. Yields were up globally, particularly in the UK where 10Y gilt yields ended the week at 1.524%. In US Dollar terms oil rose +3.6% while gold gained +1.0%.

UK Stocks	US Stocks	EU Stocks	Global Stocks	EM Stocks	Japan Stocks	Gilts	GBP/USD
▲ +1.8%	▲ +2.1%	▲ +1.1%	▲ +1.8%	▲ +0.8%	▼ -0.3%	▼ -0.6%	▲ +0.5%

all returns in GBP to Friday close

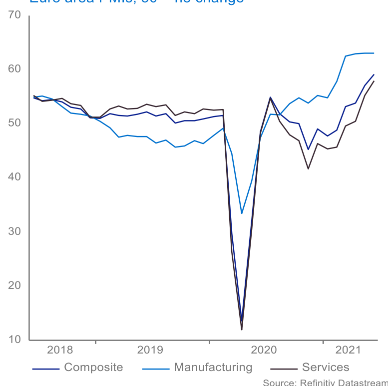
Macro News

- The Bank of England voted unanimously to keep its benchmark interest rate on hold at a record low of 0.1% during its June 2021 meeting, and by a majority of 8-1 to leave its bond-buying programme unchanged, as widely expected. The central bank also reiterated it does not intend to tighten monetary policy at least until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably. Policymakers said the economy would experience a temporary period of strong GDP growth following the relaxation of restrictions on economic activity, after which it will fall back.
- Personal income in the US decreased 2% MoM in May, following a 13.1% drop in April and compared with market expectations of a 2.5% fall as stimulus payments received earlier in the year began to fade. However, personal spending was unchanged in May, following an upwardly revised 0.9% growth in April. An increase in spending for services was mostly offset by a decline in spending for goods.

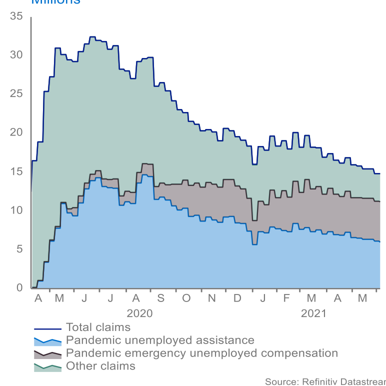
The Week Ahead

- The monthly US non-farm payrolls for June will be released this Friday. Economists are expecting an increase of around700k jobs, higher than the 559k in May. Investors are watching wage data in particular for signs of inflationary pressures.

Week in Charts



Euro zone business growth accelerated at its fastest pace in 15 years in June as the easing of lockdown measures unleashed pent-up demand and drove a boom in the dominant services sector.



Pandemic-related support still represents more than 80% of US unemployment claims. Advanced economies are reluctant to unwind support measures, with IMF analysis suggesting around three-quarters of pandemic fiscal support remains in place. For emerging markets, that proportion is around 15%.

View From the Desk

Central banks continue to believe that supply-side inflation is temporary. However, to gauge inflation and growth, investors would do well to keep one eye on the central banks and money markets and the other on the development of the pandemic.
As the Delta variant hits the European continent, worries are peaking again. Talking about a post-Covid environment may be premature and we may have to learn to live with the pandemic for some time. This places the 'Fed Put' thesis in danger, as supply chain problems may force inflation higher, eventually exhausting the Fed's patience.
Yet things may not be so dramatic from an investment perspective. Higher rates are not a remedy for all types of inflation. There's still a distinct probability that central bankers acknowledge that supply chain problems will probably not be solved with higher interest rates, i.e. that this inflation cycle may not affect the Fed's ability to suppress volatility. While this would broaden the chasm between the real and the financial economy, clear central bank thinking could ensure the avoidance of major disruptions for risk assets.

David Baker, CIO

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