Weekly Investment Update

5th February 2021

Geopolitical news

Bank of England – The UK economy is expected to shrink 4.2% in the first quarter of 2021, due to tighter nationwide lockdown restrictions. Policy makers however, expect a rebound in the second quarter as the public become more confident around spending. The Bank of England (BoE) stated in its latest Monetary Policy Report, that economic activity was expected to recover rapidly in 2021, with a successful Covid vaccination programme supporting a "material recovery in household spending". The bank decided to hold interest rates at 0.1%, stressing that rates would remain on hold until there was clear evidence of a sustainable recovery.

US fiscal stimulus package – On Tuesday, the US Senate voted 50-49 in favour of opening a debate on budget resolution for the 2021 fiscal year. This move paves the way for much of President Biden's fiscal stimulus package to become law, without having to seek the support of the Republican party. However, if the US economic recovery continues to grow at the current rate, there could be a reduced support for such a huge fiscal stimulus package.

Italian Prime minister – Italy are now looking towards previous European Central Bank President, Mario Draghi, to put an end to the political crisis in the country. Mr Draghi has agreed to form a new non-political Italian government and will now try and win support for a new coalition so that the country can be steered through the coronavirus pandemic. Mr Draghi is credited with having saved the euro currency during Europe's debt crisis, earning him the title "Super Mario".

Market Summary

Global Equities – Major global equity benchmarks staged an impressive rebound throughout the week. Positive news flow came in many forms to boost investor sentiment, as UK vaccine rollout confidence, good US corporate earnings, better than expected US jobless data, and confidence that Mario Draghi could solve Italy's political crises all played a part in indices pushing higher. The US S&P 500, Nasdaq and the German DAX indices all hit fresh record highs.

Commodities – Gold prices finished lower against the US dollar over the week, sinking below $1,800 per ounce to a two month low. The fall in price came as both the US dollar and US treasury yields strengthened, while markets still await clarity on the US fiscal stimulus package. Silver prices hit an eight year high versus the US dollar, managing to push above $30 per ounce, although later retracting, as Reddit retail traders responsible for the fluctuations in GameStop and AMC Entertainment shares last week turned their attention to the commodity.

Oil prices (Brent Crude & WTI) hit their highest levels in a year on Friday, supported by hopes of a quicker economic recovery and supply curbs by OPEC and its allies. Continued strength in US manufacturing numbers, as well as signs that US Congress is also moving ahead with US President, Joe Biden's, Covid relief plan also helped raise the commodities prices.

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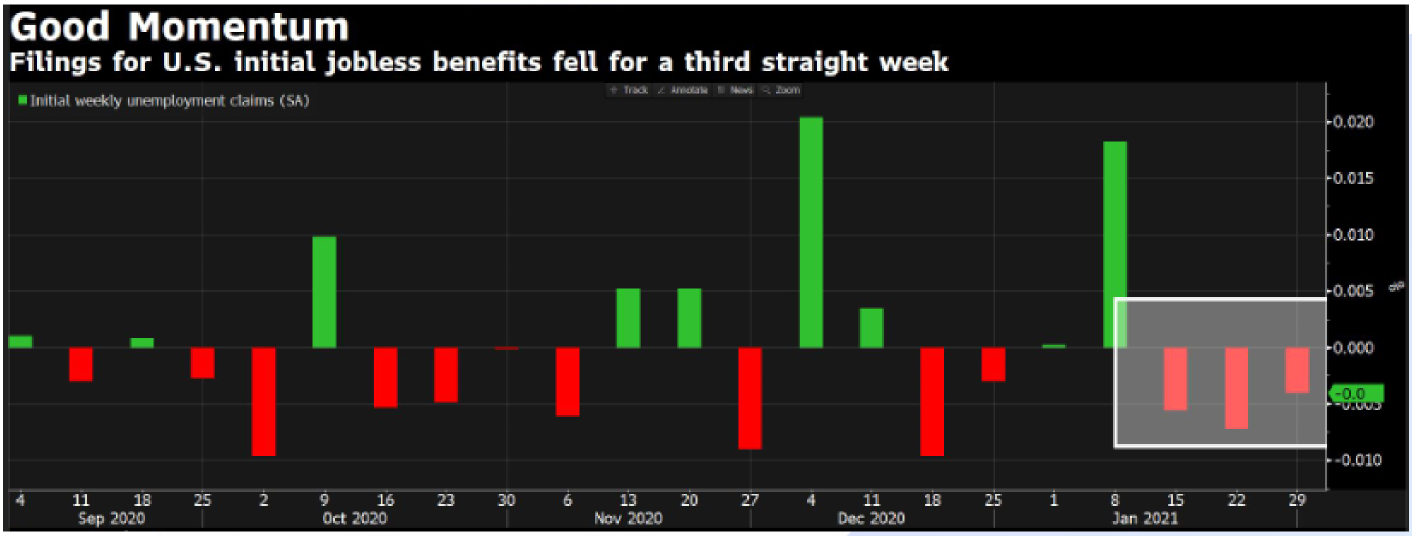
Chart of the Week



Source: Bloomberg – US jobless claims fall for the third straight week, giving positive signs of a quicker than expected economic recovery

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- China CPI yy	- US CPI - Germany CPI		

Market Performance – 05/02/2021

Global Market Indices	**2021 YTD %***
FTSE 100	-1.00%
S&P 500	4.73%
DAX	2.43%
Nikkei 225	5.97%
Hang Seng	7.49%
Fixed Income	**Yield %**
UK 10 Yr Gilt	0.44%
US 10 Yr Treasury	1.40%
Commodities	**2021 YTD %**
Gold	-4.61%
Currency	
GBP/USD	1.37 (05/02/2021)
GBP/EUR	1.14 (05/02/2021)

Source: FE Analytics/ Bloomberg.com **Total Return/Local currency*

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