# Weekly Investment Update

5th March 2021

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INVESTMENT MANAGEMENT

## News Headlines

***UK budget –*** Chancellor of the exchequer, Rishi Sunak, outlined the government's latest economic plans in the budget announcement on Wednesday, detailing tax, spending and coronavirus recovery plans. There were many key takeaways of the budget, and starting with the economy, the good news is that borrowing plans required to support the economy during the pandemic is coming in £39 billion lower than expected, at £355 billion. Businesses will benefit from a super-deduction allowance against their corporation tax in the short term, but this will be phased out by 2023 and is to be replaced with a steep rise in corporation tax from 19% to 25%. On a personal level, the chancellor announced plans to freeze the lifetime allowance, income tax thresholds and the capital gains allowance until 2026. The government are also keen to take advantage of the demand for sustainable savings, with the launch of a 'green' savings bond through NS&I. With 100% government backing, it should help the UK hit its target of being net-zero for carbon emissions by 2050, while also creating more 'green' jobs.

***COVID -19 –*** In the US, President Biden has said that the US may have enough vaccine doses for every adult in America by the end of May, and he hopes that the nation can return to normal a year from now. In Japan, Tokyo plans to ask the national government to extend the coronavirus state of emergency, after the pace of decline in cases has slowed recently. Germany's chancellor, Angela Merkel, has pushed for a broader extension of Germany's lockdown until the 28th March with a partial easing of some restrictions. Meanwhile, Italy, backed by France, has made a decision to block vaccine exports to Australia as they did not consider Australia as a "vulnerable country".

***US jobs data –*** Data released on Friday showed that US job growth is running far ahead of forecasts, adding to expectations that the world's largest economy is rebounding rapidly. 379,000 jobs were added in February, which is considerably more than the economists' predictions of 200,000.

## Market Summary

***Global Equities*** – Major global equity indices finished mixed as at Thursday's close. Equities in Asia finished fairly flat to end the week, indices in the US slipped lower, but equities in the UK and Europe pushed higher. In the US, the fall came as bond yields moved higher after initially settling down, with Jerome Powell warning that inflation could rise as the US economy reopens. The UK FTSE 100 however, gained traction and pushed higher, on course for a 3% weekly gain as value shares rallied. The big loser in the current climate is the technology sector, as the Nasdaq reversed its recent gains to fall back to levels seen at the start of the year, with the Nasdaq 100 ETF recently seeing record turnover.

***Commodities*** – Gold prices are on their way to test levels last seen in June 2020, as the bearish sentiment around the commodity keeps a firm grip. Federal Reserve chairman, Jerome Powell, said in a statement this week that the recent bond market volatility caught his attention, which disappointed markets and triggered a strengthening of the US dollar alongside Treasury yields leading gold and equites suffering.

Oil prices (Brent Crude & WTI) gained throughout the week, but soared on Friday, hitting their highest levels in nearly 14 months. The surge in prices came as OPEC and its allies surprised investors and agreed not to increase supply in April as they wait more substantial recovery in demand.



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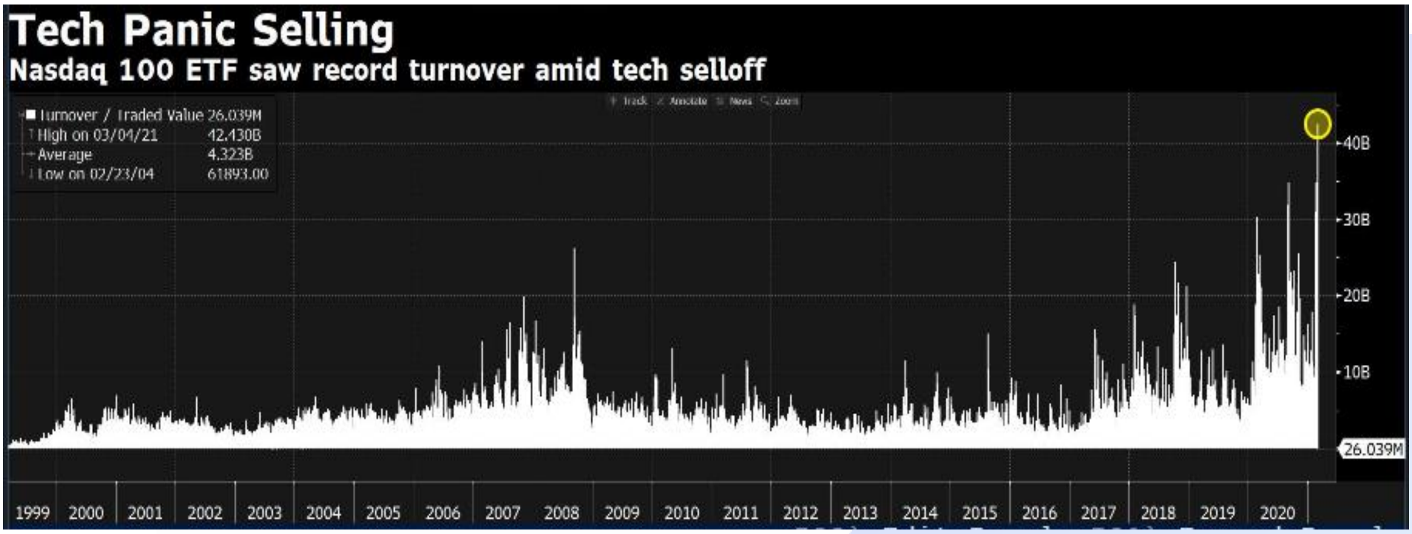
## Chart of the Week




*Source: Bloomberg – The technology stock sell-off continues, as the Nasdaq 100 ETF sees record turnover*

## Key Economic Releases Next Week

| Monday | Tuesday | Wednesday | Thursday | Friday |
|---|---|---|---|---|
| | - EU GDP<br>- EU employment | - China CPI<br>- US CPI<br>- Canada BoC rate decision | - EU Rate announcement | - Germany CPI |

## Market Performance – 04/03/2021

| Global Market Indices | 2021 YTD %* |
|---|---|
| FTSE 100 | 1.87% |
| S&P 500 | 2.10% |
| DAX | 2.40% |
| Nikkei 225 | 6.18% |
| Hang Seng | 6.42% |
| **Fixed Income** | **Yield %** |
| UK 10 Yr Gilt | 0.73% |
| US 10 Yr Treasury | 1.55% |
| Commodities | **2021 YTD %** |
| Gold | -10.46% |
| Currency | |
| GBP/USD | 1.38 (05/03/2021) |
| GBP/EUR | 1.16 (05/03/2021) |

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



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