

Weekly Investment Update

19th March 2021



News Headlines

Federal Reserve – The Federal Reserve (Fed) kept its policy rate unchanged on Wednesday, but ramped up its expectations for US economic growth. The bank forecast average growth of 6.5% this year, up from 4.2% that it predicted in December. Despite the growth forecast upgrade, officials did not move to raise interest rates, instead it is expected that borrowing rates will stick near zero until at least after 2023. Fed Chair, Jerome Powell, said that the bank wanted to see proof of a more complete recovery before altering its policies. Forecasts by the bank's board members includes projections that inflation could heat up later this year to around 2.4%, above the historic target of 2%, but Mr Powell said that such a move would be "transient".

AstraZeneca vaccine – After a turbulent few days in Europe's vaccine rollout programme, where the side effects of the AstraZeneca vaccine were brought into question and vaccinations halted, European countries including Germany, France and Italy resumed using the AstraZeneca vaccine. After reports of blood clotting in a small percentage of the population who received the jab, The European Medicines Agency (EMA) was asked to investigate its safety. The EMA, as well as the World Health Organisation, have now given backing to the continued use of the vaccine, stating that the benefits of preventing Covid-19 far outweigh the associated risks and there is no evidence of a link between the jab and blood clots.

US foreign relations – This week has given a glimpse into what foreign policy will look like going forward under US President Joe Biden, particularly with China and Russia. Talks between US and Chinese officials started in Alaska on Thursday, but didn't get off to the best start, with the two sides immediately descending into bickering and accusations against one another. US relations with Russia also look equally rocky, as President Biden and Russian President, Vladimir Putin, traded insults this week while the US is looking to impose new sanctions in order to block the Nord Stream 2 gas pipeline.

Market Summary

Global Equities – Major global equity indices finished mixed as at Thursday's close. In the US, the S&P 500 and Dow Jones Industrial Average indices both touched fresh record highs as the prospect of cheap money laid out by the Federal Reserve is of significant benefit to companies. The Nasdaq finished flat however, as the tech sell-off continued on Thursday after the US 10-year Treasury yield surged higher. In Europe, the German DAX index also hit new highs as cyclical stocks such as automobiles, banks, miners and travel shares led gains. Most Asian equity indices also finished higher as markets welcomed the news from the Federal Reserve of a hike in economic forecasts for the US economy.

Commodities – Gold prices gained ground against the US dollar this week. Recent price action suggests that the market may have finally found a value area as prices have stabilised, which could see more buyers come in to pick up the commodity at a reasonable price.

Oil prices (Brent Crude & WTI) headed for their worst weekly drop since October versus the US dollar on Friday, selling off amid concerns that crude prices have risen too quickly giving mixed signals on near-term demand and a stronger US dollar.

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Ascencia Investment Management Limited Frenkel House, 15 Carolina Way, Salford, Manchester, M50 2ZY.

T: 0161 886 8000 | E: enquiries@ascenciaim.co.uk | www.ascenciaim.co.uk

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Chart of the Week



Source: Bloomberg – The 10-year US Treasury yield rises for the 7th week in a row, leading to a tech stock sell off

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US home sales	- UK inflation (Apr)		- UK retail sales

Market Performance – 18/03/2021

Global Market Indices	2021 YTD %*
FTSE 100	4.10%
S&P 500	6.15%
DAX	7.64%
Nikkei 225	10.90%
Hang Seng	7.37%
Fixed Income	Yield %
UK 10 Yr Gilt	0.87%
US 10 Yr Treasury	1.73%
Commodities	2021 YTD %
Gold	-7.99%
Currency	
GBP/USD	1.38 (19/03/2021)
GBP/EUR	1.16 (19/03/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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