

Weekly Investment Update

7th May 2021



News Headlines

Janet Yellen & Federal Reserve – Treasury Secretary, Janet Yellen, sent a shockwave through equity markets on Tuesday, after she stated that higher interest rates may be necessary to keep the economy from overheating. These comments contrast to the Federal Reserve's (Fed) plans to hold rates near zero through to 2023. After seeing the market reaction to her comments, Yellen clarified that she was not forecasting or recommending a Federal Reserve interest rate hike and emphasized her support for the independence of the central bank. Sticking with the Federal Reserve, the bank warned investors that a rising appetite for risk across a variety of asset markets is stretching valuations and creating peril in the US financial system. Expanding on the comments, Fed Governor, Lael Brainard, said "the combination of stretched valuations with very high levels of corporate indebtedness bear watching because of the potential to amplify the effects of a re-pricing event".

Bank of England – The Bank of England's Monetary Policy Committee voted unanimously to keep its monetary policy unchanged in the latest meeting. The UK interest rate currently sits at a record low of 0.1% and has done since the onset of the Covid-19 pandemic. The bank also upgraded their growth forecasts for the UK, and now expects the UK economy to grow by 7.25% in 2021. It had previously projected growth of 5%.

Market Summary

Global Equities – Global stock markets struggled at the start of the week after Janet Yellen's unexpected comments regarding interest rates, but mostly recovered to post weekly gains by Thursday's close. In the US, the Dow Jones Industrial Average index hit fresh record highs, while technology stocks tumbled on the back of Yellen's comments, sending the Nasdaq index down 3% temporarily. The steep rise in commodity prices, as well as positive economic data out of Europe helped push UK and European indices higher.

Commodities – Commodity prices are surging across the board, as large parts of the global economy are re-opening after the pandemic. Purchasing managers survey data has highlighted rising prices as manufacturers rush to keep up with accelerating consumer demand.

Gold prices made sizeable gains against the US dollar, hitting three-month highs. The price rose up nearly 3% this week, putting it on track for the best week in six months, as a bearish undertone to the US dollar and Treasury yields continued to support the precious metal.

Oil prices (Brent Crude & WTI) were on track for a second weekly gain on Friday. Easing restrictions on movement in the US and Europe, recovering factory operations and coronavirus vaccinations pave the way for a revival in fuel demand.

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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 – Copper prices surge to an all-time high as commodity prices rise across the board

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- Australia employment	- China CPI yy	- Australia trade balance - Germany CPI - US CPI	- US producer prices - US PPI inflation yy	- US retail sales

Market Performance – 06/05/2021

Global Market Indices	2021 YTD %*
FTSE 100	9.15%
S&P 500	14.07%
DAX	10.71%
Nikkei 225	8.30%
Hang Seng	4.77%
Fixed Income	Yield %
UK 10 Yr Gilt	0.79%
US 10 Yr Treasury	1.56%
Commodities	2021 YTD %
Gold	-4.16%
Currency	
GBP/USD	1.39 (07/05/2021)
GBP/EUR	1.15 (07/05/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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