

Weekly Investment Update

21st May 2021



News Headlines

Israel-Hamas cease fire – Israel and Hamas agreed to implement an unconditional, bilateral truce on Friday, 11 days after the conflict began. Israel's security cabinet voted unanimously to approve an Egyptian-brokered proposal to put an end to the fighting. US President Joe Biden, praised the agreement after increasing the pressure on Israel's Prime Minister Benjamin Netanyahu earlier in the week to seek a cease-fire, as Biden continues to face pressure to distance his administration from Netanyahu.

Economic data – UK retail spending soared as the economy re-opened in April after months of lockdown closures. Sales volumes in April jumped by 9.2% month on month, which is twice the average forecast and the biggest rise since June last year, after rising 5.1% in March. UK inflation more than doubled in April, to 1.5%, up from 0.7% in March. Economists had forecast a rise of 1.4%, as a jump in electricity and gas bills pushed inflation higher. UK PMIs (Purchasing Managers' Index) hit the highest level since the survey began in 1998. In Europe, France and Germany posted positive PMI data, with the indexes remaining firmly in expansion territory. The two largest economies in Europe reported a huge rebound in services in May, driving their economic recoveries even as factories battled shortages and delays. In the US, composite PMI data came in at 63.5, the highest on record.

Global corporate tax – The US has proposed a global minimum corporate tax rate of 15%, as international negotiators seek to have an agreement in place by the middle of this year. The plans proposed are to apply a new tax based on sales in each country to the global profits of the very largest companies, regardless of their physical presence in a given country. Biden's administration had previously proposed a 21% tax, but have signalled a willingness to accept the 15% tax.

Market Summary

Global Equities – After a fairly poor start to the week, global stock markets staged a slight rebound on Thursday. The MSCI World index advanced on Thursday after a run of 3 successive declines, helped by US jobs data and an improving picture of the pandemic. US Treasury yields fell back and investors marginally downgraded the pace of Federal Reserve interest rates hikes in the coming years, which saw technology shares rebound sharply and outpacing the broader markets.

Commodities – Gold prices hit a 4-month high against the US dollar, as investors assessed the minutes from the Federal Reserve's April meeting flagged the possibility of a debate on scaling back asset purchases.

The Brent crude oil price was heading for its biggest weekly decline since March on Friday, as a potential end to years-long sanctions raised the prospects of Iran ramping up supplies. Oil has been a part of a broader sell-off in commodity and equity markets in recent weeks following concerns around inflation, speculation that the US Federal Reserve will ease stimulus and China's warning on measures to cool price spikes.

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Chart of the Week

Europe is Now Top of the Equity World Benchmark takes pole position amid three-day drops in Asia and the U.S.



Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- Germany GPD yy	- Germany CPI prelim yy - US consumer confidence		- US jobless claims	- Japan unemployment rate

Market Performance – 20/05/2021

Global Market Indices	2021 YTD %*
FTSE 100	8.48%
S&P 500	13.03%
DAX	11.97%
Nikkei 225	3.81%
Hang Seng	4.27%
Fixed Income	Yield %
UK 10 Yr Gilt	0.84%
US 10 Yr Treasury	1.63%
Commodities	2021 YTD %
Gold	-1.09%
Currency	
GBP/USD	1.42 (21/05/2021)
GBP/EUR	1.16 (21/05/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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