

# Weekly Investment Update

25<sup>th</sup> June 2021



## News Headlines

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**Bank of England** – The Bank of England announced that it has set the bank rate at 0.1% after the Monetary Policy Committee (MPC) voted unanimously to hold the bank rate. The bank said that inflation is rising faster than expected in the UK, forecasting that inflation will rise above 3% in the near term, well above the target of 2.1%, but also noted that the trend is ‘transitory’ and should not affect monetary policy. The UK economy is now expected to grow by 5.5% in the second quarter as it recovers from a lockdown-hit year.

**Purchasing Managers Indexes** – Purchasing Managers Index (PMI) figures released this week showed that the private sector in the euro area growing at the fastest pace in 15 years. The composite figure rose to 59.2 in June, highlighting the strength of the sector, as any measure above 50 indicates expansion. The reading in the UK was even stronger, coming in at 61.7 in June. US services PMI continued to expand at a strong pace in June, but lost momentum when compared to May’s figure, and the composite PMI fell to 64.9 from 68.7 in May.

**Biden infrastructure deal** – US President, Joe Biden, reached a bipartisan agreement with senators for a infrastructure plan worth \$579 billion. Biden said that the plan is set to create millions of jobs while fulfilling a major part of his economic agenda. US equity markets reacted favourably to the news, underpinning a sense of optimism that the economic recovery will continue to push ahead.

## Market Summary

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**Global Equities** – Global stock markets rallied towards record highs once again. The hawkish tone from the latest Federal Reserve meeting has spurred a rotation from value and commodity sectors and back into growth sectors, which pushed the S&P 500 and Nasdaq back through record highs. Basic resource commodities, however, did bounce back from an 8% decline last week after the rotation trade cooled, gaining 6% back throughout the week. In Asia, Japanese stocks were hit hard at the start of the week, declining the most in almost four months, but regained most of the losses by Friday. The Nikkei 225 lost 4% on Monday, as the index holds large percentages of economically sensitive stocks.

**Commodities** – Gold was on course for its first weekly gain in four on Friday. As a result of the risk-off action in European equities over the week, amid rising concerns over the rapid spread of the Delta plus covid strain, lifting gold’s safe-haven appeal.

Oil prices (Brent crude & WTI) traded above \$75 a barrel for the first time in two years on Tuesday. The rise in prices is due to trader expectations of further supply tightness in the coming quarters. Oil is now expected to reach \$100 in the near future, a level not seen since 2014.

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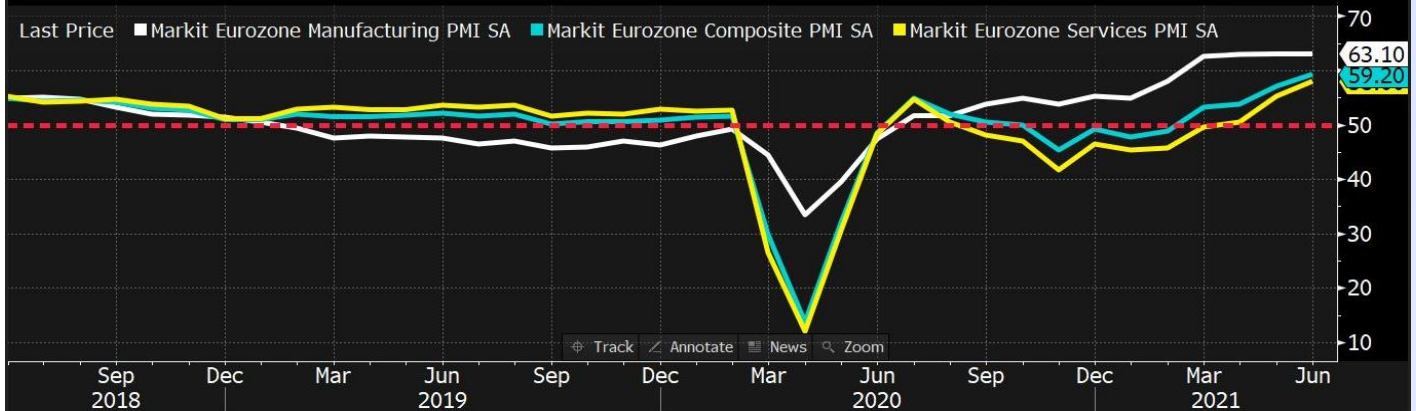
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## Chart of the Week

# The Euro-Area Recovery Kicks In Manufacturing PMIs hold high, services catching up



Source: Bloomberg – Euro area PMIs growing at fastest pace in 15 years

## Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	<ul style="list-style-type: none"> <li>- Japan unemployment rate</li> <li>- US consumer confidence</li> </ul>	<ul style="list-style-type: none"> <li>- China manufacturing PMI</li> <li>- Germany unemployment rate</li> </ul>	<ul style="list-style-type: none"> <li>- US manufacturing PMI</li> </ul>	<ul style="list-style-type: none"> <li>- US unemployment rate</li> </ul>

## Market Performance – 24/06/2021

Global Market Indices	2021 YTD %*
FTSE 100	10.13%
S&P 500	16.10%
DAX	13.57%
Nikkei 225	6.68%
Hang Seng	6.47%
Fixed Income	Yield %
UK 10 Yr Gilt	0.74%
US 10 Yr Treasury	1.48%
Commodities	2021 YTD %
Gold	-6.16%
Currency	
GBP/USD	1.39 (25/06/2021)
GBP/EUR	1.16 (25/06/2021)

Source: FE Analytics/ Bloomberg.com

\*Total Return/Local currency

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