

# Weekly Investment Update

9<sup>th</sup> July 2021



## News Headlines

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**UK Economy Recovery** – There was strong economic data released at the start of the week with UK Construction Purchasing Managers Index (PMI) announced at 66.3 vs a 63.8 forecast, providing further evidence that the economy is recovering strongly. However, on Friday the announcement of GDP figures for May disappointed, missing expectation notably at 0.80% vs 1.70% forecast. Despite the disappointment, the economic expansion continues, with a smaller than expected drop at the start of the year, followed by a streak of robust growth as restrictions eased into the spring and summer.

**OPEC+ Failure to Reach a deal** – OPEC+ failed to reach a deal again this week. The feud continued between long standing allies Saudi Arabia and the UAE, as the UAE will only approve the Saudi's proposal to phase in the restart of production to the end of 2022. U.S. oil futures rallied to a six year high on 6<sup>th</sup> July, however, price has since fallen over fears that the impasse may cause a supply shortfall.

**Global Tax Reform** – G20 finance ministers gathered Friday in Venice, with the global tax reform taking centre stage. The world's biggest economies are seeking that multinational companies pay their fair share of tax. The countries have already signed the initial reform framework to set a minimum corporation tax of 15%. They are now seeking a political deal to end the use of tax havens and the competition between nations to offer the lowest tax rate.

## Market Summary

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**Global Equities** – Global equities in general declined over the week, to Thursday's close, as investors fear a potential growth shock. The S&P 500, FTSE 100 and Euro Stoxx 600 declined by -0.72%, -1.23% and -1.08% respectively.

In Europe on Thursday, equities had their worst day of 2021 with STOXX 600, DAX and CAC all down over -1.72%. Over in the US, declines were smaller, however, cyclical industries including Transportation and Material push the market lower. Banks also underperformed as the yield curve flattened sharply with the US 30yr Treasury yield falling to a 5-month low.

**Fixed Income** – There was a significant move in fixed income markets this week, the main story was the fall in inflation expectation, this led to a rally in sovereign bonds. By the close, yields on US Treasuries were down a further -1.293% on Thursday, the lowest level since February.

**Commodities** – Oil prices (Brent Crude and WTI) were down -2.69% and -2.95% over the week, up to Thursday close, as a result of the global supply uncertainties following OPEC+ impasse. This is the first weekly decline in 6 weeks.

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## Chart of the Week

# U.S. 10-Year Yields

## This position clean-out must end now



Source: Bloomberg

## Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- CPI Germany	- US CPI	- UK CPI		

## Market Performance – 09/07/2021

Global Market Indices	2021 YTD %*
FTSE 100	8.99%
S&P 500	17.65%
DAX	12.34%
Nikkei 225	3.98%
Hang Seng	0.70%
Fixed Income	Yield %
UK 10 Yr Gilt	0.65%
US 10 Yr Treasury	1.34%
Commodities	2021 YTD %
Gold	-5.19%
Currency	
GBP/USD	1.38 (09/07/2021)
GBP/EUR	1.16 (02/07/2021)

Source: FE Analytics/ Bloomberg.com

\*Total Return/Local currency

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