

Weekly Investment Update

23rd July 2021



News Headlines

ECB – The European Central Bank (ECB) took the decision to leave key interest rates unchanged this week, still at record low levels, with the base interest rate, marginal lending rate and deposit rate unchanged at 0.00 percent, 0.25 percent and minus 0.50 percent, respectively. The bank also revised its forward guidance according to the new 2% inflation target. The ECB Governing Council said it “expects the key ECB interest rates to remain at their present or lower levels, until it sees inflation reaching two percent well ahead of the end of its projection horizon and durably for the rest of the projection zone”.

Covid-19 – After punishing India for several months, the delta variant of covid is now taking its toll on the rest of the world, as infection rates climb rapidly across the globe. Southeast Asia is now seeing cases rise uncontrollably, while in the US, the fifth wave of the virus is killing mostly those who are unvaccinated. The US Centers for Disease Control and Prevention (CDC) showed that life expectancy in the US fell by the most in more than 70 years in 2020. In the UK, almost all virus restrictions were lifted on Monday (Freedom day) although sharply rising levels of covid mean that the country is nowhere near back to normal. As restrictions were lifted, a so called “pingdemic” began with over half a million people a week being pinged by the NHS covid-19 app were told to isolate. This had a dramatic effect on supply chains and supermarkets were seeing empty shelves, as products weren’t able to be delivered due to lack of staff in certain sectors.

Market Summary

Global Equities – Global equities dropped across the board on Monday, as rising inflation and virus pessimism shook investor sentiment. However, strong global corporate earnings and earnings predictions outweighed pessimism from Tuesday onwards, as global equities had their biggest three-day rally since April, pushing all-time highs one again. A word of warning, however, came from the chairman of Guggenheim Investments, who suggested that US stocks could tumble by more than 15% or more by the end of October, due to a faster-than-expected tapering of asset purchases from the Federal Reserve and the increasing spread of the delta variant. Both are major risk factors for stocks.

Commodities – Oil prices (Brent Crude and WTI) shrugged off heavy losses seen on Monday, rising for the third straight session on Thursday, putting the commodity on track for a weekly gain. Prices dropped on Monday after an announcement from OPEC+, but gained shortly after as prices found support from rising investor appetite for assets perceived as risky, as well as tight supplies.

Gold was on track for its first weekly loss in five, as the US dollar strengthened. The rapid spread of the delta covid variant has flagged concerns over global economic recovery and underpinned the safe-haven demand for the dollar. However, lower US Treasury yields and a dovish European Central Bank monetary policy decision, helped cushion the downside in the gold price.

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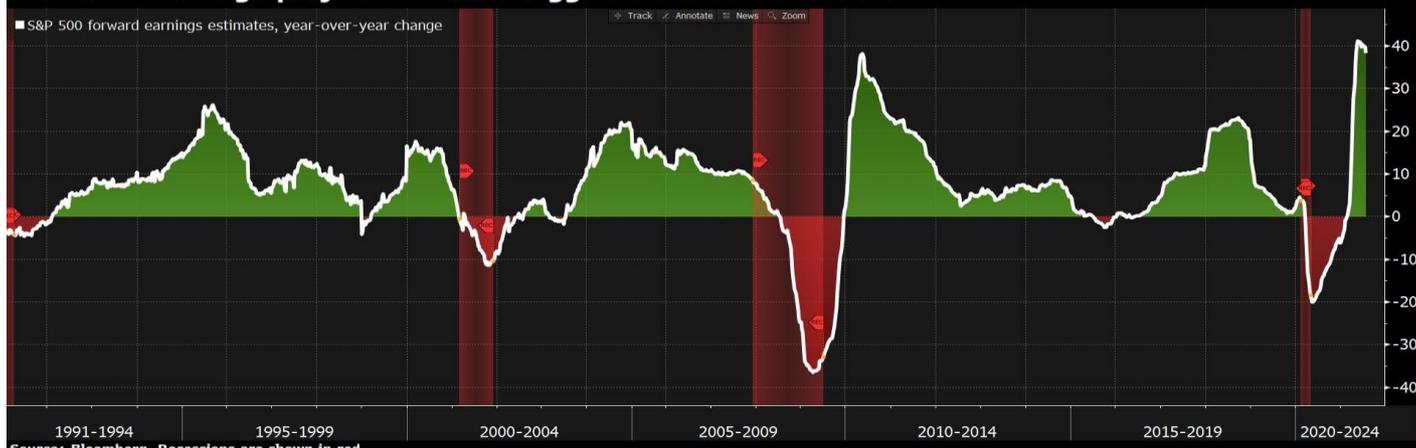
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Chart of the Week

Higher Hopes

S&P 500 earnings projections show biggest increase in decades



Source: Bloomberg – the S&P 500 earnings predictions show biggest increase for decades

Key Economic Releases Next Week

| Monday | Tuesday | Wednesday | Thursday | Friday |
|--------|--------------------------|--|--|---|
| | - US consumer confidence | - Australia CPI - US FOMC rate announcement | - Germany unemployment rate - Germany CPI | - Japan unemployment rate - EU inflation flash |

Market Performance – 23/07/2021

| Global Market Indices | 2021 YTD %* |
|-----------------------|-------------------|
| FTSE 100 | 8.04% |
| S&P 500 | 18.95% |
| DAX | 13.02% |
| Nikkei 225 | 1.18% |
| Hang Seng | 2.18% |
| Fixed Income | Yield % |
| UK 10 Yr Gilt | 0.58% |
| US 10 Yr Treasury | 1.26% |
| Commodities | 2021 YTD % |
| Gold | -4.90% |
| Currency | |
| GBP/USD | 1.37 (23/07/2021) |
| GBP/EUR | 1.17 (23/07/2021) |

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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