

Weekly Investment Update

30th July 2021



News Headlines

Economic growth – The International Monetary Fund (IMF) has this week upgraded its growth forecasts for developed economies, giving the largest upgrade forecast to the UK at 7%, while the outlook for many developing countries weakened. In the new assessment, the IMF said that the world is increasingly split in to two blocs. The US economy grew at an annualised rate of 6.5% in the second quarter, below forecasts of 8.5%, as concerns of the resurgence of the coronavirus set in alongside significant easing in both monetary and fiscal stimulus. Some good news however, is that consumer spending was strong in the second quarter, rising by 11.8%. In Europe, French and Spanish economic growth beat expectations, with the eurozone economy expected to continue its expansion rapidly over the rest of the year.

Federal Reserve – The Federal Reserve announced on Wednesday that it would keep interest rates steady at near-zero, as widely anticipated. The Federal Open Market Committee however, took a step toward slowing its \$120 billion a month Treasury and mortgage-backed securities purchases, stating that the time to taper those purchases could come sometime “in coming meetings”. The Fed also repeated that rising inflation reflected “transitory factors”.

Market Summary

Global Equities – Global equities were a mixed bag this week amid a deluge of global corporate Q2 earnings. European stocks (STOXX 600) hit record highs on the back of strong corporate earnings and US indices touched all-time highs once again, shrugging off weak economic data, before declining slightly on Friday. In Asia, the Chinese CSI 300 index suffered huge losses at the start of the week, falling 6.5% over Monday and Tuesday amid growing regulatory pressure, with Beijing intent on reining in private enterprises it blames for exacerbating inequality and increasing financial risk.

Commodities – Gold prices hit a two-week high versus the US dollar, touching \$1,840 per ounce. Prices gained on the back of a weak US dollar and a signal by the Federal Reserve that tapering of asset purchases could be delayed as there is still a long way to substantial progress.

Oil prices (Brent Crude & WTI) were on track for a second weekly gain on Friday, as signs of tighter supplies helped ease fears over the resurgence of Covid-19’s threat to demand.

Fixed Income - The US 10-year real yield sunk to an all-time low this week, following bond yields across most major economies, attributed to growing concerns about the economic outlook following an upsurge in Covid-19 variants, as well as technical factors such as hefty bond-buying by the central banks.

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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



Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- US manufacturing PMI		- EU retail sales	- UK BoE rate decision	- US unemployment rate

Market Performance – 30/07/2021

Global Market Indices	2021 YTD %*
FTSE 100	9.79%
S&P 500	20.38%
DAX	13.94%
Nikkei 225	2.74%
Hang Seng	-2.41%
Fixed Income	Yield %
UK 10 Yr Gilt	0.56%
US 10 Yr Treasury	1.26%
Commodities	2021 YTD %
Gold	-3.51%
Currency	
GBP/USD	1.39 (30/07/2021)
GBP/EUR	1.17 (30/07/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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