

Weekly Investment Update

06th August 2021



News Headlines

Bank of England – The Bank of England’s monetary policy committee (MPC) resisted pressure to increase the cost of borrowing, keeping its base rate at 0.1%. UK inflation is now forecast to hit 4% this year, as the robust recovery from the pandemic accelerates, with the bank hinting that a modest increase in interest rates next year may be needed to keep rising prices in check. The MPC said that the economy would grow by 8% in 2021, up from the forecast in May of 7.25%, to regain its pre-pandemic level of activity by the end of this year, rather than spring 2022. Although inflation rose quickly, it is thought to be transitory.

US employment – US companies added far fewer jobs than expected in July, indicating continued hiring obstacles despite an improvement in the economy. Payrolls increased by just 330,000 last month, which is the smallest gain since February. The figure fell short of economist’s estimates, of which the median estimate sought a rise of 690,000 for the month. The slowdown in hiring underpins the challenges of a full labour market recovery as firms try to keep up with an unleashing of pent-up demand.

US infrastructure bill – The US Senate is expected to pass its \$550 billion infrastructure legislation this weekend, which would provide the biggest infusion of federal spending on public works in decades and boost President Biden’s economic agenda. The bill includes \$110 billion in new spending for roads and bridges, \$73 billion of power grid upgrades, \$66 billion for rail and Amtrak and \$65 billion for broadband expansion.

Market Summary

Global Equities – Global equities pushed higher throughout the week, with tech stocks in particular performing well. In Europe, stocks hit all-time highs as strong corporate earnings offset worries around the spread of the delta covid variant. In the UK, the FTSE 100 strengthened on the back of upbeat earnings which supported optimism about a faster economic recovery, as well as companies lifting dividend payments and miners rallying. The S&P 500 and Nasdaq closed at record highs on Thursday, as optimism on progress of the infrastructure bill through Congress, and expectations for a strong jobs report due on Friday encouraged investors.

Commodities – Gold prices continued to hover around \$1,800 per ounce throughout the week. The yellow metal’s price action remains poor, as it struggles to withstand modest US dollar strength or slightly higher US Treasury yields, signalling that bullish traders may be running out of patience.

Oil prices (Brent Crude & WTI) came under pressure this week, suffering their biggest weekly declines since March as more countries restricted movement amid a surge in Covid-19 cases and the US dollar strengthened.

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Chart of the Week

U.S. and European Equities Outperform Emerging markets and Asia Pacific lag



Source: Bloomberg – US and European equities continue to outperform as economies re-open

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- China CPI yy		- Germany CPI yy - US CPI yy	- US producer prices - US jobless claims	

Market Performance – 06/08/2021

Global Market Indices	2021 YTD %*
FTSE 100	10.57%
S&P 500	20.67%
DAX	14.70%
Nikkei 225	2.54%
Hang Seng	-2.82%
Fixed Income	Yield %
UK 10 Yr Gilt	0.54%
US 10 Yr Treasury	1.22%
Commodities	2021 YTD %
Gold	-5.27%
Currency	
GBP/USD	1.39 (06/08/2021)
GBP/EUR	1.17 (06/08/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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