

Market Update

12th February 2021



News Headlines

UK economy – The UK economy shrank by 9.9% in 2020, the biggest annual contraction in 300 years. Recovery slowed sharply towards the end of 2020, but the economy averted a second straight quarterly contraction, with a 1% rise in GDP compared to the previous quarter. Economists are expecting that the stricter restrictions will tip the economy back into contraction territory in the first quarter of 2021, but the rapid vaccine rollout currently underway has lifted hopes of a strong recovery from the spring.

Trump impeachment trial – On Tuesday, the US Senate voted 56-44 to proceed with the impeachment trial of former US president, Donald Trump. Arguments from both the democrats and republicans in the Senate began on Wednesday, and while it remains highly unlikely that Trump will be convicted of the charge of inciting an insurrection, Senate Minority Leader Mitch McConnell signalled that fellow republicans should see the final vote as a matter of conscience.

EU vaccine rollout – After the death toll of Covid-19 deaths surpassed 500,000 people, the European Union's Commission President, Ursula von der Leyen, said on Wednesday that the bloc's much criticised vaccine rollout could be partly blamed on the EU being over-optimistic, over-confident and plainly "late". The EU lags way behind in vaccination figures so far, but the President stuck with her promise to have 70% of the EU's adult population vaccinated by the end of summer and blamed big pharmaceutical companies for not keeping production up with scientific advances.

Market Summary

Global Equities – Major global equity benchmarks posted mostly positive returns throughout the week as the MSCI's 50-country index of world shares hit its ninth record high of 2021. Indices rose early on, although modestly, and remained higher as sentiment remained positive around vaccine rollouts, increasing possibilities of a further US stimulus package and better than expected US jobless claim figures. Asian equities posted strong gains, as Japan suggested they are relaxing emergency coronavirus restrictions and China's consumer prices fell in January.

Commodities – Gold prices finished lower against the US dollar over the week. The lack of fresh developments on the US stimulus bill and a surge in platinum group metals in the wake of a quicker than expected economic recovery dulled the attractiveness of gold.

After a lengthy rally in oil prices (Brent Crude & WTI), hitting a one year high midweek, prices pulled back slightly from Wednesday onwards. With the pandemic continuing to weigh on the demand outlook, technical indicators signalled that the commodity is overbought and prices may have climbed too far, too fast. Despite the pullback, oil prices are still set to post a weekly gain as some investment houses are optimistic about the longer term outlook.

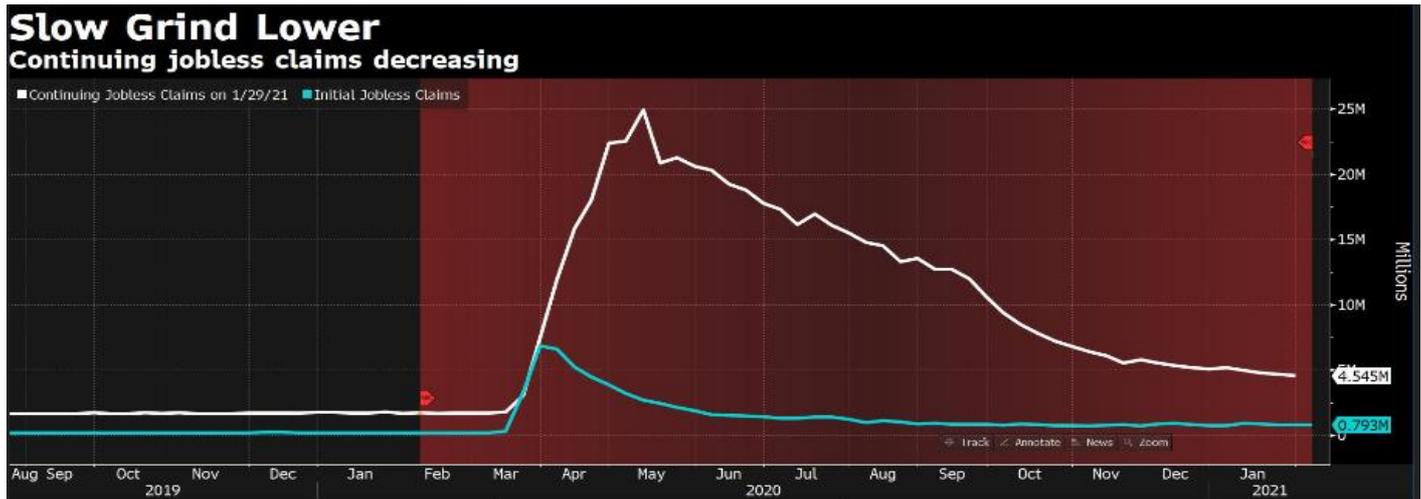
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Chart of the week



Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- Europe Q1 flash GDP		- UK CPI YY - US PPI inflation YY - Australia unemployment	- Europe inflation - Japan CPI	

Market Performance 2021 – 12/02/2021

Global Market Indices	2021 YTD %*
FTSE 100	1.09%
S&P 500	4.39%
Dax	2.35%
Nikkei 225	7.56%
Hang Seng	10.81%
Fixed Income	Yield %
UK 10 Yr Gilt	0.47%
US 10 Yr Treasury	1.15%
Commodities	2021 YTD %
Gold	-4.06%

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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