

# Market Update

## 19<sup>th</sup> February 2021

### News Headlines

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**UK inflation** – UK inflation rose the 0.7% in January to its highest level in 3 months, lifted by rising food prices and lower discounts on furniture. Several economists have predicted that inflation would head towards, or over, the Bank of England's target of 2% this year, as higher shipping prices and Brexit costs likely to hit consumers' pockets

**Trump impeachment trial** – Former US President, Donald Trump, has officially been acquitted by the Senate in his second impeachment trial for his role in the 6<sup>th</sup> January attack on the US Capitol. After five days of debate in the chamber, a divided Senate were ten votes shy of the two-thirds majority required to convict high-crimes and misdemeanours. A conviction would have allowed the Senate to vote to disqualify him from holding future office.

**US-Iran nuclear deal** - US President, Joe Biden, and his team have formally offered to re-join talks to reinstate the 2015 nuclear deal with Iran alongside the UK and the European Union. This would be a reversal of former president Trump's "maximum pressure" campaign against Tehran. Biden's administration released a statement saying that it would "accept an invitation" to attend to the meeting to discuss a diplomatic way forward on Iran's nuclear programme, as the president's first priority would be to prevent Iran from obtaining a nuclear weapon.

### Market Summary

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**Global Equities** – After a strong start to the week, major global equity indices tapered off gradually, finishing mixed as at Thursday's close with investors looking for fresh catalysts. To start the week, Asia's indices were driven up as Japan's main index broke through the 30,000 point mark for the first time in 30 years, after Japan's economy rebounded beyond expectations, and in Europe and the UK, shares were boosted by renewed vaccine optimism and swift economic recovery hopes. Signs of rising inflation, rising US jobless claims, along with weak corporate results helped dampen investor's positive sentiment, sending equities lower towards the end of the week.

**Commodities** – Gold prices once again finished lower against the US dollar over the week, touching 7-month lows. Rising US Treasury yields amid US stimulus hopes, as well as US dollar strength, pushed the metal lower.

Industrial metal prices have surged recently, exceeding pre-pandemic highs, as China's post-covid recovery gathered momentum. Iron ore prices have shot up 85%, while copper has risen 80%. A second wave of demand for these metals is expected as US president, Joe Biden, steps up the US's rebuilding spend.

Brent Crude oil prices broke above \$65 per barrel, the highest since 20<sup>th</sup> January 2020. The arctic blast in Texas this week is continuing to distort oil production, with more than 20% of US refining output and a million barrels of oil output closed down. Analysts at JP Morgan have stated that they expect oil prices to rise another \$5-\$10 per barrel in the near future.

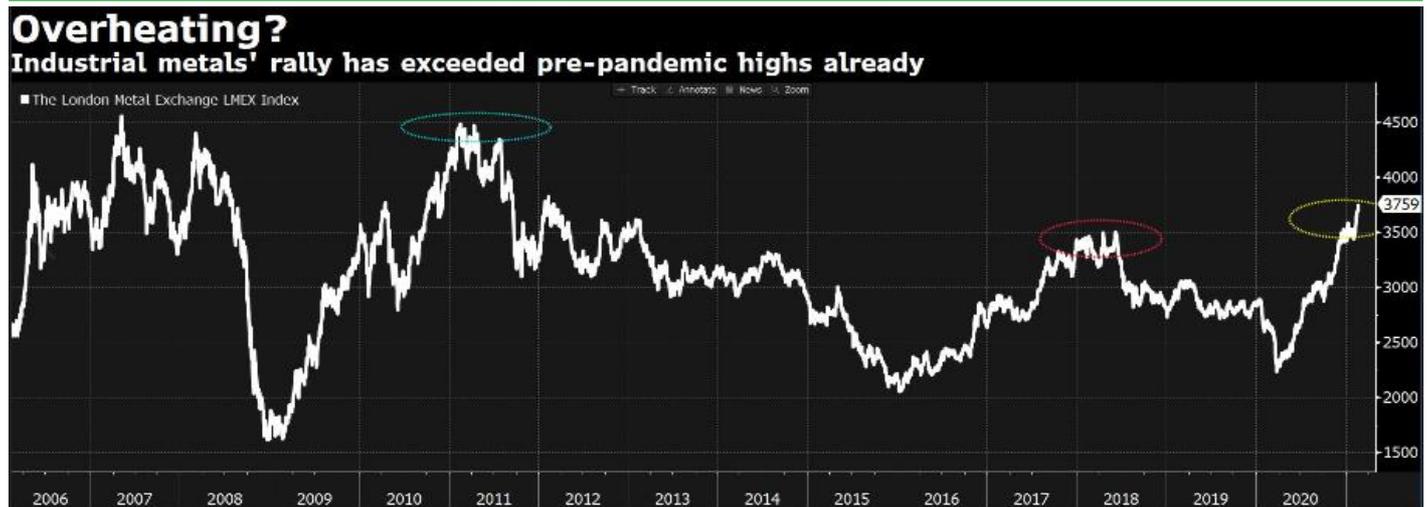
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### Chart of the week



### Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	<ul style="list-style-type: none"> <li>- UK claimant count rate</li> <li>- EU inflation yy</li> </ul>	<ul style="list-style-type: none"> <li>- Germany GDP</li> </ul>		<ul style="list-style-type: none"> <li>- Germany CPI prelim yy</li> </ul>

### Market Performance 2021 – 19/02/2021

Global Market Indices	2021 YTD %*
FTSE 100	0.91%
S&P 500	5.97%
Dax	1.17%
Nikkei 225	10.93%
Hang Seng	11.37%
Fixed Income	Yield %
UK 10 Yr Gilt	0.62%
US 10 Yr Treasury	1.28%
Commodities	2021 YTD %
Gold	-6.52%

Source: FE Analytics/ Bloomberg.com

\*Total Return/Local currency

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