

Market Update

26th February 2021

News Headlines

Vaccine success – A large, “real world” study of Pfizer and BioNTech’s Covid-19 vaccine has confirmed efficacy across most age groups. The study, which has been conducted in Israel, compared 600,000 Israelis who had received the vaccine against 600,000 demographically similar Israelis who had not been vaccinated. The vaccinated population were 57% less likely to develop any symptoms of Covid in the two to three weeks after the first dose, which increased to 94% after the second dose. One does has been proven to be 72% effective at preventing death.

Jerome Powell effect – Recent volatility in bonds and equities cooled slightly, after the Federal Reserve Chairman, Jerome Powell, gave reassuring comments to the US Senate Banking Committee on Wednesday. Mr Powell confirmed that the central bank are no way near the pulling back its economic support measures, as there is a long way to go before reaching their inflation and employment goals.

US stimulus package - In the US, the House is set to pass the \$1.9 trillion stimulus bill on Friday, bringing the \$1,400 cheques a step closer for most Americans. Investment firm, Pimco, have predicted that this stimulus package could trigger economic growth of 7.5% this year in the US, a rate not seen since the 1950s. they also stated that although the rapid growth would push inflation above 2% over the next few years, it is unlikely to cause prices to spiral due to the reduced bargaining power of workers as wage growth remains weak.

Market Summary

Global Equities – Major global equity indices took a beating throughout the week, with most indices finishing lower as at Thursday’s close. Growth stocks, in particular, sold off dramatically, as a rotation into value stocks took hold due to the gradual re-opening of economies and positive news flow surrounding vaccine rollouts. Rising bond yields also saw equity investor’s sentiment dampened, with the US 10 year Treasury yield rapidly rising above 1.5% for the first time since the Covid-19 pandemic started back in January 2020.

Commodities – Gold prices once again finished lower against the US dollar over the week, despite staging a rally midweek. The sharp rise in government bond yields undercut the demand for the precious metal, while strength in the US dollar pushed prices down further. According to analysts, the commodity’s near term outlook isn’t looking great unless there is a reversal in recent bond market movements.

Oil prices (Brent Crude & WTI) dropped slightly over the week, as the collapse in bond prices led to gains in the US dollar and expectations grew that with the oil price being back above pre-pandemic levels, more supply is likely to come back to the market. Despite the drop this week, both Brent and WTI are on track for gains of around 20% this month.

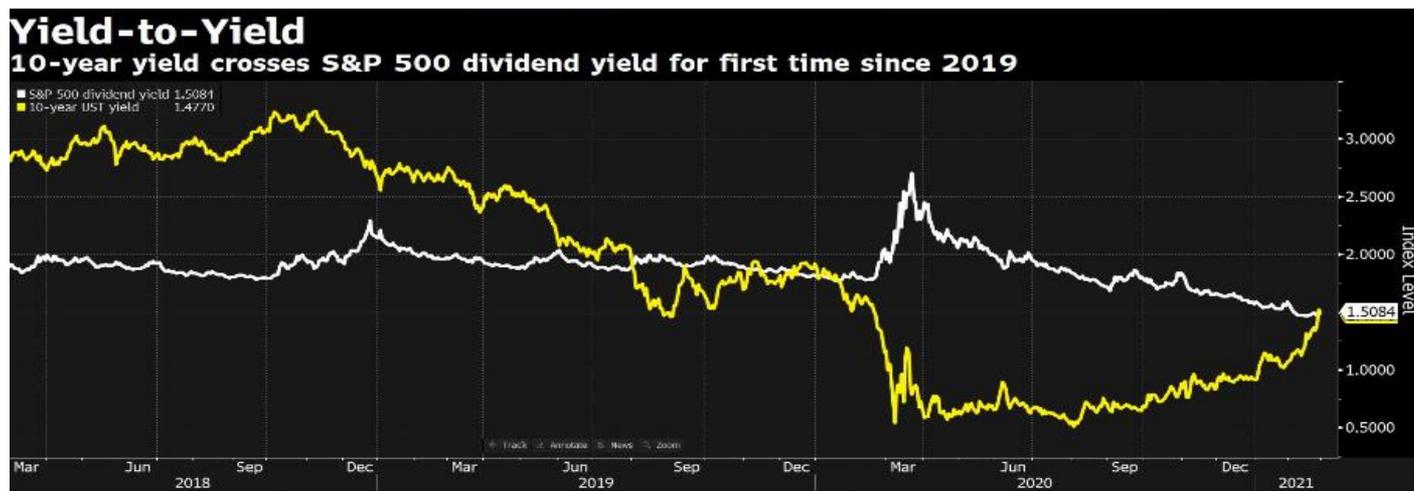
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Chart of the week



Source: Bloomberg – equity dividend yields lose their advantage over bond yields

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- US Manufacturing PMI - Japan unemployment rate	- Australia cash rate decision - Germany unemployment rate			- US unemployment rate

Market Performance 2021 – 25/02/2021

Global Market Indices	2021 YTD %*
FTSE 100	1.65%
S&P 500	3.71%
Dax	1.11%
Nikkei 225	10.73%
Hang Seng	9.47%
Fixed Income	Yield %
UK 10 Yr Gilt	0.78%
US 10 Yr Treasury	1.51%
Commodities	2021 YTD %
Gold	-7.03%

Source: FE Analytics/Bloomberg.com

*Total Return/Local currency

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