

Geo-political

Covid-19 vaccine supply – In the first major post-Brexit dispute, the UK and the EU are at odds over the distribution of the Oxford/AstraZeneca vaccine. A shortage of preparations in the EU bloc has led to public disagreements between AstraZeneca and themselves, including a claim by the EU dismissing the company's claim that the UK is to receive their orders first. After AstraZeneca released the redacted contract drawn up with the EU on Friday, it was revealed that the contract was based on a "best effort" clause regarding delivery timeframes and did not commit the company to a specific timetable for deliveries. When this clause was spotted by UK ministers in their version of the contract, they insisted on a legally binding promise to serve Britain first, which was later approved. The argument seemed to undermine the confidence in the vaccine rollout market optimism that came alongside its development, as equity markets weakened.

Reddit vs Hedge Funds – A US based Hedge fund, Melvin Capital, has been left with huge losses this week as an army of investors co-ordinated on social media site Reddit to pump up the price of the video game retailer GameStop tenfold over the last few weeks. The hedge fund had bet against the retailer by short-selling its shares, meaning it stood to gain if the share price fell. The aim of the social media group, named "WallStreetBets", was to push up the price of the shares in an effort to inflict losses on short-sellers, and it definitely worked. Hedge funds that bet against the company shares have now lost an estimated \$5 billion due to the meteoric price rise, and Melvin Capital have since closed their position. US lawmakers are now planning hearings on short-sellers, digital trading platforms and how this situation arose.

Market Summary

Global Equities – Major global equity benchmarks finished the week lower as at Thursday's close. After a mixed start to the week, equity indices lost momentum midweek and continued to fall. Tighter border restrictions on the UK, a row over vaccine supply issues between AstraZeneca and the EU, weak tech earnings in the US and increased fears over new variant strains of Covid-19 all dampened investor sentiment. The fall wiped a large portion of year to date gains from many indices, with investors looking for positive news flow.

Commodities – Gold prices finished slightly lower against the US dollar over the week, as traders await fresh US stimulus updates amid risk-off market sentiment and broad based US dollar strength. Silver outshone gold this week however, gaining around 8%, as the Reddit day traders who created a surge in GameStop and AMC Entertainment share prices, also signalled their interest in Silver.

Oil prices (Brent Crude & WTI) held steady versus the US dollar, but trade within a tight range. Demand concerns caused by the new coronavirus variants as well as slow vaccine rollouts offset the cut in Saudi Arabia's oil supply and falling US inventories.

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Market Update

29th January 2021

Chart of the week



Source: Bloomberg – Asian equities poised for another monthly gain in January after huge gains in the previous two months

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- US Manufacturing PMI		- EU inflation flash	- UK BoE rate decision	- US unemployment rate

Market Performance 2021 – 29/01/2021

Global Market Indices	2021 YTD %*
FTSE 100	-0.66%
S&P 500	2.42%
Dax	-0.44%
Nikkei 225	3.45%
Hang Seng	3.92%
Fixed Income	Yield %
UK 10 Yr Gilt	0.29%
US 10 Yr Treasury	1.05%
Commodities	2021 YTD %
Gold	-2.68%

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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