

Market Update

12th March 2021

News Headlines

OECD growth outlook – The Organisation for Economic Co-Operation and Development raised its economic forecast for global growth, stating that US President, Joe Biden's, new stimulus package was expected to add a whole percentage point to global growth in 2021. The OECD now expects world gross domestic product to expand by 5.6% this year, an upgrade from previous expectations of 4.2%. The organisation also upgraded its growth forecasts for the UK, now expecting the economy to grow by 5.1% this year and 4.7% in 2022, citing the rapid Covid-19 vaccine rollout for the upgrade.

US stimulus package – US President, Joe Biden's, Covid-19 relief stimulus package was signed into law on Thursday, and will inject \$1.9 trillion in aid into the pandemic-damaged economy. The package will boost the economy by funding small businesses, extending unemployment benefits that were due to expire in a couple of days, and seeing direct stimulus payments of as much as \$1,400 paid directly to many Americans this month. The International Monetary Fund has said that this spending will expand US GDP by 5-6% over three years.

UK economy – Britain's economy shrank by 2.9% in January, as new lockdown restrictions were imposed and trade with the European Union was hit hard by the new, post-Brexit trading relationship. The contraction however, was not as bad as first feared, with economists expecting a contraction of 4.9% in January. The Bank of England said last month that they expected the economy to contract by 4% in the first quarter of 2021, and the bank is expected to keep further stimulus plans on hold at its March meeting next Thursday due to the rapid pace of the Covid-19 vaccine rollout.

Market Summary

Global Equities – Major global equity indices finished higher as at Thursday's close. Sentiment improvements, coming from the approval of the new US stimulus package, as well as an improved global growth forecast from the Organisation for Economic Co-operation and Development helped fuel the equity rally. Technology sector stocks made a significant rebound as Treasury yields recent gains eased, while the German DAX index and the US Dow Jones Industrial Average index both hit all-time highs.

Commodities – Gold prices erased most of their early gains to finish only slightly higher over the week versus the US dollar, putting the metal on track for its first positive week in four. In an environment where US policymakers are keen to stimulate and boost the long-term growth of the US economy, that implies higher long-term interest rates, which is hurting non-yielding assets like gold. Money managers at BlackRock also feel that gold has become a less effective hedge against moves in other assets, such as equities, as well as inflation.

Oil prices (Brent Crude & WTI) extended their recent gains against the US dollar, as the fears of inflation are receding as the US CPI figure for February came in lower than expected. Bond yields consequently fell and the US dollar has weakened to its lowest level in a week, which helped the oil price rise.

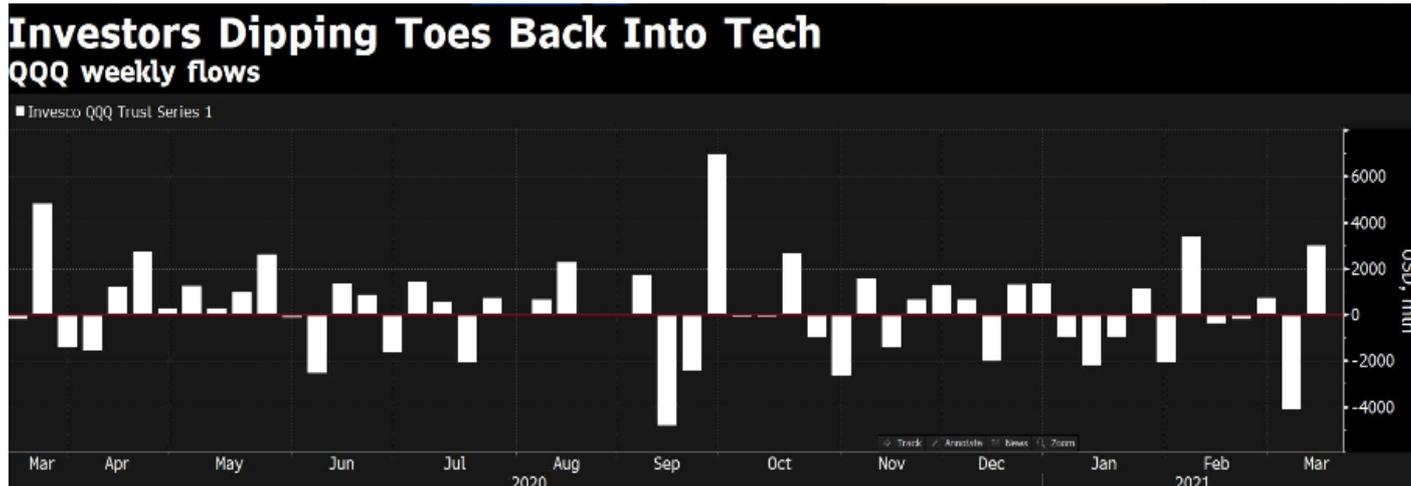
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Chart of the week



Source: Bloomberg – Investors dipped back into technology stocks this week as inflation fears eased and Treasury yields declined

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US retail sales	- EU inflation - FOMC rate announcement	- Australia unemployment - BoE rate decision - Japan CPI national	- UK retail sales

Market Performance 2021 – 11/03/2021

Global Market Indices	2021 YTD %*
FTSE 100	3.35%
S&P 500	6.76%
Dax	6.14%
Nikkei 225	7.21%
Hang Seng	7.29%
Fixed Income	Yield %
UK 10 Yr Gilt	0.74%
US 10 Yr Treasury	1.53%
Commodities	2021 YTD %
Gold	-9.93%

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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