



### Weekly Bulletin: Investors intent on listening to the good news

**Even as economies continue to reopen, the latest COVID-19 news remains somewhat concerning. In financial markets, though, the focus appears to be on better news around vaccine trials and signs of recovery in economic activity.**

- Many countries around the world are now some way into the process of easing lockdown conditions. There are concerns about the pace of this easing, which may be occurring more quickly than improvements in the health picture in key countries (like India and the US).
- Indeed, the human cost of COVID-19 is still highly visible, particularly in developing nations. Latin America now accounts for around half of all daily COVID-19-related deaths. While the pace of daily deaths is slowing, the World Health Organization reported a record increase in global cases for the second day in a row over the weekend, with the total rising by 259,848 in just 24 hours.
- More positively, there are now more than 140 vaccine candidates being tracked by the World Health Organization. These include a University of Oxford vaccine currently in a combined 'phase 2/3' trial in the UK, and an unusual 'messenger RNA' vaccine (designed to trick the body into producing viral proteins) designed by US biotech firm Moderna. The discovery and rollout of a successful vaccine would materially impact the risks associated with COVID-19, in turn positively impacting the stringency of countermeasures required to limit its spread.
- Meanwhile, at the point of origin for the virus, there are signs that economic recovery may be taking place. Growth in China picked up throughout the second quarter of the year, coming in more than 3% higher than the same period in 2019, despite evident stresses on the global economy. This came in stark contrast to the first quarter of 2020, which saw the Chinese economy contract by almost 7%. Despite some areas for concern (such as still weak retail sales) this latest news indicates the recovery taking place across sectors in China as lockdowns continue to ease, with the virus seemingly under control.
- Elsewhere, a broad range of other economic indicators is improving as lockdown conditions are eased. For example, new passenger car registrations in Europe are meaningfully higher, and business survey data points to improved confidence about the future economic environment.

### Weekly market moves

- Despite mixed performances in Asian markets, most major global stock markets ended the week in positive territory. Amid concerns over rising COVID-19 cases in Latin America, though, emerging markets underperformed.
- UK government bond yields (which move inversely to their prices) fell over the course of the week, though another traditional 'safe haven' asset type (gold) continued to see price gains.

## What to look out for this week

- European leaders are currently attending a summit to discuss a historic €750bn COVID-19 response package proposed by the European Commission. There is significant conflict over how the funds will be dispersed, with meetings held throughout the past weekend and continuing at the time of writing.
- Corporate reporting season will kick up a gear this week, with almost 90 of the largest US companies – including IBM, Coca-Cola, Microsoft, and Unilever – due to release earnings figures covering the second quarter of the year.

|                                      | Index Levels | Last Week | Month-to-date | Year-to-date |
|--------------------------------------|--------------|-----------|---------------|--------------|
| <b>Equity</b>                        |              |           |               |              |
| MSCI United Kingdom                  | 1,776.3      | 3.2%      | 1.9%          | -16.1%       |
| MSCI United Kingdom Mid Cap          | 1,095.9      | 2.5%      | 2.5%          | -16.5%       |
| MSCI United Kingdom Small Cap        | 354.6        | 1.4%      | 0.6%          | -21.4%       |
| MSCI World (GBP)                     | 1,751.3      | 2.6%      | 2.8%          | 4.2%         |
| S&P 500 (GBP)                        | 3,224.7      | 2.3%      | 2.6%          | 6.6%         |
| MSCI Japan (GBP)                     | 955.7        | 2.9%      | 0.5%          | 0.3%         |
| MSCI Europe ex-UK (GBP)              | 1,335.8      | 3.7%      | 4.3%          | 2.2%         |
| MSCI Pacific ex-Japan (GBP)          | 1,462.5      | 2.0%      | 1.3%          | -5.5%        |
| MSCI Emerging Markets (GBP)          | 60,725.5     | -0.2%     | 5.0%          | 1.7%         |
| <b>Bonds</b>                         |              |           |               |              |
| BoA Merrill Lynch Conventional Gilts | 1,428.8      | -0.6%     | -0.4%         | 9.1%         |
| BoA Merrill Lynch Index-Linked Gilts | 622.3        | -0.6%     | -2.1%         | 10.0%        |
| BoA Merrill Lynch £ Corporate        | 462.0        | 0.1%      | 0.9%          | 4.1%         |
| <b>Commodities</b>                   |              |           |               |              |
| Oil (West Texas Intermediate, GBP)   | \$40.6       | 1.0%      | 1.8%          | -29.9%       |
| Gold (GBP)                           | \$1807.4     | 1.2%      | 0.8%          | 26.1%        |
| S&P / GSCI (GBP)                     | 1,701.5      | 0.6%      | 1.6%          | -30.6%       |

**Past performance is not a reliable indicator of future results. The value of investments may fall as well as rise.** All performance returns are in GBP, while all index levels are in local currency.