

## Weekly Update

### Things get chilly in Alaska

#### JOIN THE DOTS

Investors scrutinise Fed forecasts

#### YIELDING TO YIELDS

MPC unconcerned with higher bond yields

#### MORE, MORE, MORE...

...social restrictions

#### FILIBUST-ED

Is it the end of the filibuster?

#### A GOOD WEEK FOR

- Japanese equities, which rallied c. 3%
- Gold, which regained c. 1% in US dollar terms.

#### A BAD WEEK FOR

- Oil, which reversed some of the recent gains, falling c. -7%
- Bonds, which broadly weakened slightly, and US, UK and emerging market equities in sterling terms.

#### US-CHINA RELATIONS

The end of the Trump era may herald a shift away from Twitter diplomacy, but it does not mean the end of frosty Sino-American relations. As US and Chinese officials met in Alaska for their first diplomatic summit of Biden's Administration, talks got off to a shaky start: Chinese officials were displeased with fresh US sanctions in response to the erosion of Hong Kong's democratic freedoms. US Secretary of State Antony Blinken's opening remarks to the press were followed by a lengthy rebuttal from Communist Party Politburo official Yang Jiechi., to which the US in turn responded. The summit serves as a reminder that relations between the world's two largest economies remain strained, with significant diplomatic obstacles to climb.

#### US ECONOMY

Investors waited with baited breath for the US Federal Reserve's Open Market Committee meeting last week. As expected, the committee voted to leave policy unchanged, and Fed Chair Jerome Powell reiterated the message that the Fed expects to remain accommodative for some time. However, Fed forecasts of US growth and inflation in 2021 did rise, with GDP expected to grow by 6.5%, though inflation is expected to fall back closer to its 2% target in 2023. In addition, the number of committee members who felt that higher rates would be appropriate in 2022 or 2023 increased. Further bond yield volatility is likely as the recovery continues and rising inflation may well fan the flames.

#### UK ECONOMY

The UK Bank of England also met last week, with policy makers voting to leave policy unchanged. The language of the Monetary Policy Committee's report was more upbeat, reflecting a firming global backdrop, better health data in the UK, and a relatively supportive policy mix in the March budget. However, the MPC did emphasise its commitment to "taking whatever additional action is necessary" to support inflation, should conditions weaken. In contrast with the European Central Bank, which announced plans to keep long bond yields low, the MPC judged that the rise in UK bond yields, in part a spill-over from the rise in US yields, did not pose a risk to UK financial conditions. This reflects the UK's earlier success in rolling out vaccines.

#### EU ECONOMY

Just as some countries are looking to reopen, many European countries are experiencing a renewed surge in coronavirus cases, demanding stricter social restrictions. On average, European countries are behind the UK and US, with 13% of the EU population vaccinated. Concerns over the safety of the AstraZeneca vaccine have exacerbated this and may have fuelled vaccine scepticism. In addition, Europe is only now experiencing the full force of the B.1.1.7 variant, which spread quickly in the UK this winter. France, Italy, Norway, Poland, Malta, Estonia and Hungary have introduced new restrictions, while other countries have suspended plans to fully reopen their economies.

#### US POLITICS

Last week US President Biden appeared to endorse changing the way the US Senate works in order to make it easier for the majority party to pass laws. The filibuster currently requires 60 votes in the Senate for legislation to pass, meaning that the majority party needs many seats or bipartisan support for a bill to become law. Changing the current filibuster procedure could allow the Democrats to pass reforms that currently look unlikely, if they are opposed by most Republicans. This could bring back into focus policies around antitrust, healthcare and drug pricing, and workers' rights.

# Performance

## EQUITIES

	1 WEEK			MTD			YTD			1 YEAR		
	£	Loc.	Rel.	£	Loc.	Rel.	£	Loc.	Rel.	£	Loc.	Rel.
UK	-0.7%			3.8%			4.9%			31.4%		
US	-0.5%	-0.8%	0.3%	2.8%	2.3%	0.5%	2.2%	3.9%	-1.7%	40.0%	68.1%	-28.2%
Europe	0.3%	0.3%	0.0%	3.8%	4.8%	-1.0%	1.5%	5.9%	-4.4%	39.8%	50.6%	-10.9%
Japan	3.1%	2.7%	0.4%	5.1%	6.9%	-1.8%	3.4%	10.8%	-7.5%	35.9%	61.5%	-25.6%
Asia ex Japan	-0.5%	-0.7%	0.2%	-0.2%	-0.2%	0.1%	2.5%	5.1%	-2.6%	49.2%	66.2%	-17.0%
EM	-0.5%	-0.9%	0.4%	0.4%	0.1%	0.3%	2.1%	5.0%	-2.9%	48.3%	70.0%	-21.7%

## FIXED INTEREST AND CURRENCIES

	1 WEEK			MTD			YTD			1 YEAR		
	Local			Local			Local			Local		
<b>Corporate and Government Bonds</b>												
UK Gov	-0.1%			0.1%			-7.4%			0.3%		
US Gov	-0.3%			-1.3%			-4.7%			-2.4%		
Europe Gov	-0.4%			-1.6%			-5.2%			16.0%		
UK Index-Linked	0.7%			2.1%			-6.1%			16.6%		
UK Corporate	-0.4%			-0.6%			-4.9%			15.2%		
UK High Yield	-0.2%			0.0%			1.4%			23.3%		
<b>Currencies – Spot</b>												
USD – GBP	0.4%			0.4%			-1.5%			-17.2%		
EUR – GBP	-0.1%			-1.0%			-4.0%			-7.8%		
JPY – GBP	0.5%			-1.7%			-6.5%			-15.8%		

	YIELD
	Local
<b>Sovereign and Supranational Bonds</b>	
10 Year Gilts	0.81%
10 Year Treasuries	1.68%
10 Year Bunds	-0.32%

## COMMODITIES

	1 WEEK			MTD			YTD			1 YEAR		
	Local			Local			Local			Local		
<b>Energy</b>												
Brent	-6.8%			-2.4%			24.6%			126.7%		
<b>Precious Metals</b>												
Gold	1.0%			0.6%			-8.1%			18.6%		

## IMPORTANT INFORMATION

MSCI: Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

The information contained in this document is believed to be correct but cannot be guaranteed. Past performance is not a reliable indicator of future results. The value of investments and the income from them may fall as well as rise and is not guaranteed. An investor may not get back the original amount invested. Opinions constitute our judgment as at the date shown and are subject to change without notice. This document is not intended as an offer or solicitation to buy or sell securities, nor does it constitute a personal recommendation. Where links to third party websites are provided, Close Brothers Asset Management accepts no responsibility for the content of such websites nor the services, products or items offered through such websites.

Close Brothers Asset Management is a trading name of Close Asset Management Limited (Registered number: 01644127) and Close Asset Management (UK) Limited (Registered number: 02998803). Both companies are part of the Close Brothers Group plc group of companies, are registered in England and Wales and are authorised and regulated by the Financial Conduct Authority. Registered office: 10 Crown Place, London EC2A 4FT. VAT registration number: 245 5013 86. CBAM6247 24.03.2021.