

Weekly Update

Deliver-ouch!

BIDEN MEANS BUSINESS

A new infrastructure package revealed

ONE TAX TO RULE THEM ALL

Yellen advocates a global tax rate

MIND THE CLIFF

The IMF sees growth but not for all now

A PASSAGE THROUGH INDIA

Covid cases surge

A GOOD WEEK FOR

- EM equities, which gained over 2% in GBP terms
- Sterling, which strengthened broadly

A BAD WEEK FOR

- Japanese equities, hindered by yen weakness in GBP terms.
- UK and European government bonds also weakened in local terms.

MARKETS

Just over three years after achieving “unicorn” status (a tech company valued at over \$1bn), UK meal delivery platform Deliveroo listed on the London Stock Exchange with a valuation of \$10.5bn. After the Initial Public Offering, shares flopped, initially falling c. 30% and ending the day’s trading down 14%. Before the IPO, a number of prominent fund managers had raised concerns over the company’s business model, with higher revenues likely to also bring higher wage costs. A recent ruling by the UK Supreme Court that Uber drivers are workers and not self-employed may also have undermined confidence in Deliveroo’s business model: some analysts argue that tightening labour laws may render it less profitable.

US POLICY

Last week US President Joe Biden unveiled plans for an infrastructure bill worth \$2.25trn. The “American Job Plan” would provide funding to upgrade America’s transport and utilities networks and boost green initiatives, as well as building care and school facilities. To fund the extra spending Biden proposes reversing some Trump era tax cuts, including raising the corporate tax rate to 28%. With the tax hike unpopular with the Republicans, who fear it will cost jobs, Democrats are seeking to pass the infrastructure package without Republican support, using budget reconciliation for a second time. This would require Democrats to revise their budget resolution for the 2021 fiscal year to allow for a new bill. Biden is seeking to pass this bill by summer.

CORPORATE TAXATION

Against a backdrop of rising US taxes, US Treasury Secretary Janet Yellen called for the introduction of a global minimum corporate tax rate that could provide a more level playing field for businesses. Whereas some multinational corporations have benefited from shifting profits to lower tax jurisdictions through complex structures, despite doing relatively little business there, many smaller, domestically-focused businesses cannot. Yellen declared that an international agreement could halt the “race to the bottom” of tax rates and allow countries to raise revenues to spend on growth-enhancing initiatives. However, such a plan faces hurdles, mainly the need for international cooperation and agreement on what is a fair tax rate and to what size companies it might apply.

GLOBAL ECONOMY

The International Monetary Fund has upgraded global growth forecasts but highlighted the diverging outlook for developed and emerging economies. The expected gap is due to differences in health policy, with developed economies making good progress in administering vaccines, but emerging markets unlikely to make serious headway for some time. The IMF called for policy makers to scale back fiscal and monetary support for the global economy in a gradual fashion, in order to avoid cliff-edges.

INDIAN ECONOMY

As the UK is seeking to withdraw coronavirus restrictions, India is reporting record high numbers of Covid cases. With 12.6m known infections, India now has the world’s third-highest number of cases after the US and Brazil. In its financial capital Mumbai, a weekend lockdown is to be introduced, as well as curfews. The surge is not thought to be connected to a “double mutant” strain of the virus detected across India, but instead to the relaxation of social restrictions and the spread of the UK variant. India has so far vaccinated less than 5% of its large population and concerns over the slower rollout were a catalyst for India’s Serum Institute putting a halt on exports of the AstraZeneca vaccine so as to meet domestic demand.

Performance

EQUITIES

	1 WEEK			MTD			YTD			1 YEAR		
	£	Loc.	Rel.	£	Loc.	Rel.	£	Loc.	Rel.	£	Loc.	Rel.
UK	0.2%			4.1%			5.2%			20.0%		
US	1.5%	2.2%	-0.6%	4.8%	3.7%	1.1%	4.2%	5.4%	-1.1%	42.4%	58.6%	-16.1%
Europe	0.3%	1.6%	-1.3%	4.7%	6.6%	-1.8%	2.4%	7.7%	-5.3%	33.4%	38.7%	-5.2%
Japan	0.0%	2.2%	-2.2%	2.1%	4.8%	-2.7%	0.5%	8.7%	-8.2%	25.5%	43.0%	-17.5%
Asia ex Japan	0.4%	1.2%	-0.8%	-1.1%	-1.2%	0.2%	1.6%	4.0%	-2.4%	42.5%	49.8%	-7.2%
EM	0.8%	1.5%	-0.7%	-0.5%	-0.9%	0.4%	1.2%	4.0%	-2.8%	42.3%	53.0%	-10.7%

FIXED INTEREST AND CURRENCIES

	1 WEEK			MTD			YTD			1 YEAR		
	Local			Local			Local			Local		
Corporate and Government Bonds												
UK Gov	-1.2%			0.0%			-7.5%			-5.7%		
US Gov	-0.7%			-1.3%			-4.6%			-5.1%		
Europe Gov	-1.0%			-2.7%			-6.3%			8.6%		
UK Index-Linked	-1.8%			1.8%			-6.4%			2.5%		
UK Corporate	-0.6%			-0.4%			-4.7%			9.8%		
UK High Yield	0.0%			0.2%			1.6%			22.9%		
Currencies – Spot												
USD – GBP	-0.7%			1.0%			-0.9%			-9.9%		
EUR – GBP	-1.4%			-1.8%			-4.8%			-4.2%		
JPY – GBP	-2.5%			-2.7%			-7.5%			-12.5%		

	YIELD
	Local
Sovereign and Supranational Bonds	
10 Year Gilts	0.84%
10 Year Treasuries	1.72%
10 Year Bunds	-0.29%

COMMODITIES

	1 WEEK			MTD			YTD			1 YEAR		
	Local			Local			Local			Local		
Energy												
Brent	-1.4%			-3.9%			22.7%			179.4%		
Precious Metals												
Gold	-1.6%			-1.5%			-10.0%			8.3%		

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