

Weekly Update

Testing times

STAMP DUTY SURGE

Extension super-charges sales

WHEN TO TALK ABOUT TALKING ABOUT TAPERING

The Fed stays on hold

ALI-PAY

Alibaba accepts fine

PROS AND CONS

The renaissance of organised labour?

A GOOD WEEK FOR

- Equities, with developed market regions outperforming.
- US, European and UK equity indices performed best in GBP terms.

A BAD WEEK FOR

- Sterling, which weakened c. 2% versus EUR and JPY, and c. 1% versus a weakening dollar.
- Oil, which weakened c. 3% in US dollar terms.

UK ECONOMY

With social restrictions about to ease, Government is testing a number of strategies for managing the pandemic while allowing economic activity to resume. A trial in Liverpool will explore the efficacy of rapid lateral flow tests in managing coronavirus risks at large-scale events and everyone in England will now have access to two rapid tests each week. Coronavirus passports are expected to be a requirement for international travel, though the use of such documentation within the UK remains controversial, and has been ruled out for essential services.

UK PROPERTY

Last week's economic data painted a rosy picture of the UK property sector. The March RICS Residential Market Survey indicated strong price momentum, boosted by the extension of the stamp duty holiday to September. The survey shows growth in enquiries, sales and new instructions year-on-year. The Purchasing Managers' Index of Construction activity also surged higher, reaching a six-year high. The residential sector remains the strongest segment, but civil and commercial construction also rebounded, as businesses prepare to reopen in the second half of the year. While deferred corporate projects will boost activity for some time, the residential sector may face headwinds by autumn, as stamp duty and furlough schemes end.

US MONETARY POLICY

Minutes from the March meeting of the US Federal Reserve's Federal Open Market Committee were released last week. The minutes revealed that committee members were untroubled by the rise in longer-term Treasury yields. In their view, the increase reflects an improving outlook and a firming of inflation expectations rather than a risk to financial conditions. However, members remained concerned about the "considerable risks" to growth posed by the pandemic, especially the UK variant, which is present in all 50 states. With states withdrawing social restrictions and the vaccination programme underway, the views of FOMC participants may hinge on the evolution of the pandemic – the more benign the outcome, the more optimistic they will likely become. Beyond this, the outlook for longer-term inflation dynamics remains uncertain.

CHINESE TECHNOLOGY

China's government has imposed a \$2.8bn anti-trust penalty against internet company Alibaba for abusing its market position. The State Administration for Market Regulation (SAMR) issued the penalty action after deciding that Alibaba's practice of charging higher fees to merchants that also sell on other sales platforms was unlawful. Alibaba has accepted the fine and committed to work with regulators but the judgement likely marks the beginning of an effort to regulate the internet sector more tightly and other companies with monopolistic positions may well face similar sanctions.

US LABOUR MARKET

Amazon has defeated efforts to establish the company's first unionised warehouse in the US. Labour activists at the Bessemer, Alabama warehouse instituted the vote, with workers voting 1,798 to 738 against the effort. The Retail, Wholesale and Department Store Union said it would challenge the results, accusing Amazon of lying to staff about the implications of the vote in mandatory meetings and allegedly pushing the postal service to install a mailbox on company grounds in an effort to monitor the vote. Greater focus on labour rights coincides with the Protecting the Right to Organize (PRO) Act, reintroduced by Democrats this year and passed in the House. The bill would make it easier for workers to form unions, and strengthen the National Labor Relations Board's powers to sanction employers for labour rights violations.

Performance

EQUITIES

	1 WEEK			MTD			YTD			1 YEAR		
	£	Loc.	Rel.	£	Loc.	Rel.	£	Loc.	Rel.	£	Loc.	Rel.
UK	2.7%			3.0%			8.4%			20.8%		
US	3.5%	2.8%	0.7%	4.6%	4.0%	0.6%	9.0%	9.6%	-0.6%	38.4%	52.6%	-14.2%
Europe	3.2%	1.3%	1.9%	3.8%	1.9%	1.9%	6.3%	9.8%	-3.5%	34.7%	36.5%	-1.8%
Japan	1.0%	-0.6%	1.6%	1.9%	0.5%	1.4%	2.4%	9.3%	-6.9%	27.3%	41.8%	-14.5%
Asia ex Japan	0.5%	-0.2%	0.7%	2.0%	1.5%	0.5%	3.7%	5.6%	-1.9%	39.8%	46.3%	-6.5%
EM	0.1%	-0.6%	0.7%	1.6%	1.1%	0.5%	2.8%	5.1%	-2.3%	38.7%	48.3%	-9.6%

FIXED INTEREST AND CURRENCIES

	1 WEEK		MTD		YTD		1 YEAR	
	Local		Local		Local		Local	
Corporate and Government Bonds								
UK Gov		0.4%		0.9%		-6.6%		-6.7%
US Gov		0.1%		0.6%		-4.1%		-4.5%
Europe Gov		0.5%		0.9%		-5.5%		9.8%
UK Index-Linked		-1.0%		0.4%		-6.0%		-1.3%
UK Corporate		0.4%		0.8%		-3.9%		6.4%
UK High Yield		0.3%		0.5%		2.0%		20.5%
Currencies – Spot								
USD – GBP		0.9%		0.6%		-0.3%		-9.1%
EUR – GBP		2.1%		2.0%		-2.8%		-1.0%
JPY – GBP		1.9%		1.5%		-6.1%		-10.0%

	YIELD	
	Local	
Sovereign and Supranational Bonds		
10 Year Gilts		0.77%
10 Year Treasuries		1.65%
10 Year Bunds		-0.32%

COMMODITIES

	1 WEEK		MTD		YTD		1 YEAR	
	Local		Local		Local		Local	
Energy								
Brent		-2.9%		-0.9%		21.5%		100.0%
Precious Metals								
Gold		0.9%		2.1%		-8.1%		3.6%

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