

UK'S ECONOMIC GROWTH NEEDS TO BE SEEN IN CONTEXT

This week the headline statistic that the UK economy has grown at its fastest pace in seven years initially seemed to suggest that the recovery from the pandemic was starting to pick up. That is until you think back to seven years ago and realise that we're being outdone by 2013 – which was nothing special. Economic activity is indeed on the rise, but from a very low base. We'll need to see growth significantly out-strip what was just an ok year in 2013 if we're to make up lost ground in a hurry.

Elsewhere global leaders all jumped on Zoom to celebrate Earth Day – usually a meaningless gab-fest with little in the way of action. This year, however, the US is using its clout to try and get commitment on climate action – with the EU and China both getting onboard. Boris Johnson didn't read the memo, though. Despite the UK having some of the most aggressive decarbonising targets of any G7 nation, the prime minister's waffling speech instantly became an online joke. When a world leader gets Bunny Hugger to trend globally, you know something has gone awry.

THE MARKETS THIS WEEK

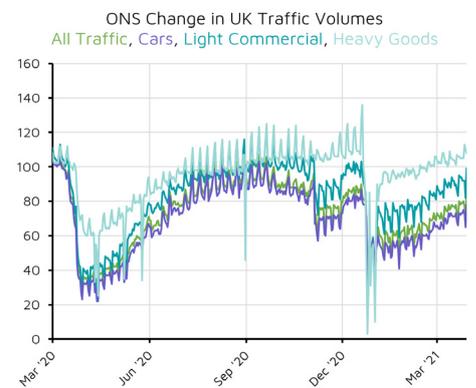
FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
-1.48%	-0.85%	-2.23%	-0.76%	+0.38%	-0.03%	-0.04%	-2.51%	+0.37%	+7.89%	+0.33%



UK: UK RECOVERY CONTINUES BUT STILL HAS SOME WAY TO GO

Further confirmation that the UK's economic recovery is underway came this week in the form of a big increase in the Purchasing Manager's Index as business confidence returns to pre-pandemic levels. Data out this week also shows a big increase in consumer confidence, while unemployment fell slightly in the three months to February. The inflation rate increased to 1 per cent in March, up from 0.7 per cent in February, as some consumer spending increased.

However, the data should be put in context. Consumer confidence has improved sharply, but so far remains below February last year, while the inflation figures are being pushed up by rising prices of fuel, partly due to the very low price of oil this time last year. Separate data from the Office for National Statistics shows that, while economic activity is returning, traffic, including commercial traffic, on the UK's roads remains considerably below pre-Covid levels.



EUROPE: CENTRAL BANK PROMISES TO CONTINUE MARKET SUPPORT

The European Central Bank has pledged to maintain its asset purchase programme at its current rate as it attempts to reassure investors concerned about the EU's difficulty controlling the coronavirus outbreak. As expected, the ECB this week left interest rates unchanged and said they will remain at their current levels until inflation is close to the official target of 2 per cent.

Although some economic indicators are beginning to pick up, the current inflation rate for the Eurozone remains at 1.3 per cent. The ECB's announcement saw European government bond yields fall slightly as demand increased as the decision to reduce support for markets has been put off for another day. However, this week the Bank of Canada became one of the first central banks to begin the process of weaning markets off stimulus by announcing a reduction to its bond buying programme and saying interest rates could begin to increase in the second half of 2022, with government bond yields remaining unchanged.

Eurozone GDP Growth (QoQ%), LHS
Eurozone PMI Composite, RHS

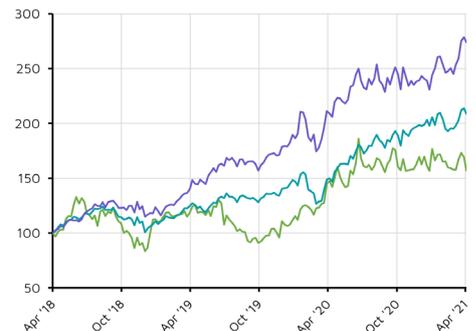


EQUITIES: NETFLIX SHOWS SIGNS THAT LOCKDOWN SALES BOOM IS SLOWING

Along with many of the big US tech companies Netflix had a good 2020, as the coronavirus pandemic drove a big increase in subscribers due to people stuck at home looking for something to do. After several quarters of record growth, the streaming platform has seen the growth of subscribers slow as it faces increased competition and the easing of lockdown in some regions.

The latest quarter saw Netflix add 4 million new subscribers to take its total to 208 million globally. This growth mainly came from its international business with its home market of the US seeing an increase of 450,000. In comparison, Netflix added 15.7 million new subscribers in Q1 2020, while the new streaming service from Warner Brother, HBO Max, added 3 million new subscribers in the US in the last three months. The slowdown saw Netflix shares fall just under 10 per cent this week although they remain up around 38 per cent from their pre-pandemic level.

Netflix, Nasdaq and Microsoft
(GBP, Normalised Prices)



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