

POST-LOCKDOWN SURGE CONTINUES AS SERVICE SECTOR REPORTS GROWTH

This week the post-lockdown surge continued, with the hard-hit service sector reporting growth not seen since the late 90's. These reports always need to be taken in context, given that it's been illegal to use many services for much of the past year, a surge in growth when they reopen is to be expected. That caveat aside we're still pleased to see the numbers and would be worried if they weren't coming through. The surge in demand is putting a strain on supply however, with reports of a jump in food prices the latest inflationary warning.

Elsewhere an international row about who should pay more taxes, with the EU saying US tech companies and the US saying everyone, is edging towards a conclusion. President Biden has proposed a global minimum corporation tax rate to avoid companies shuffling profits between countries to lower their tax bill. European countries are annoyed tech giants like Amazon and Google are doing just that. In principle they're on the same side, except for the thorny issue that the two most common jurisdictions used in this way are Ireland and Luxembourg.

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
+0.54%	-0.07%	-0.71%	+0.18%	-0.84%	+0.03%	+0.04%	+3.96%	-1.30%	+0.59%	-0.48%

EU: INFLATION EXCEEDS EUROPEAN CENTRAL BANK TARGET

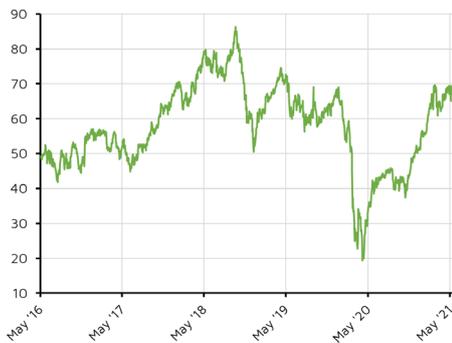
Eurozone inflation rose to 2 per cent in May as the recovery in oil and energy prices and resumption of consumer spending pushed prices higher. The increase from 1.6 per cent in April surpassed the European Central Bank's target for the first time since 2018. Core inflation, which excludes the more volatile prices such as energy and oil, rose more modestly than the headline figure, increasing from 0.7 per cent in April to 0.9 per cent in May.

Many economists have forecasted that following several months below zero last year, inflation will exceed the ECB's target of below, but close to, 2 per cent this year. ECB policymakers, including its president Christine Lagarde, have also interpreted the increase as temporary, driven by the effects of a successful rollout of vaccinations and easing of restrictions. The impacts of post-pandemic recovery are expected to fade next year and as a result, the central bank's policy is expected to remain highly accommodative.

Euro Zone CPI and Euro Zone Core Inflation (YoY%)



Brent Crude (USD)



OIL: BRENT CRUDE RALIES TO HIGHEST LEVEL SINCE MARCH FOLLOWING OPEC+ DECISION

Opec and its allies' decision to gradually increase production following severe cuts during the pandemic drove Brent crude to its highest level since the start of the pandemic. The international oil benchmark rose almost 3 per cent to \$72.34 a barrel as Opec+ producers have decided to gradually increase capacity amid uncertainties around a potential return of Iranian oil to the global market and the fragile nature of the global recovery.

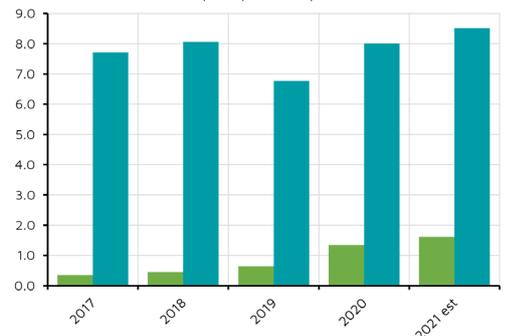
The increased demand for oil, possibly off the back of a successful vaccination campaign in key markets, has used up most of the oil glut that built up through 2020 pushing crude prices up 35 per cent since the end of the year. Although, sudden gains in commodities markets in recent weeks have raised investor fears on a potentially rapid rise in inflation, Saudi Arabia's energy minister Prince Abdulaziz proposed he did not believe inflation was an immediate problem. Instead, he advised that there were "clouds on the horizon" for the oil market recovery.

EQUITIES: ETSY TARGETS YOUNGER CUSTOMERS WITH DEPOP PURCHASE

The US based e-commerce group Etsy announced they will be acquiring Depop this week for \$1.6bn. Depop, an app used by millions of Gen Z teenagers, is a marketplace for buying and selling second-hand items of clothing. Etsy is hoping to gain access to a younger demographic of consumers with the purchase as their current offering is more popular with older millennials. On the other hand, 1 in 3 16-24-year-olds in the UK have downloaded Depop.

The trend of buying second hand or vintage items has been growing rapidly since Depop was launched in 2011 and is expected to only get more popular in the future. The growth in online retail shows no signs of slowing down while figures released this week show traditional retail footfall falling to recover despite easing restrictions.

Etsy and Ebay Annual Revenue (GBP, Billions)



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