



Markets in a Minute

6 July 2021

Stocks mixed as Delta variant spreads in Europe

Stock markets were mixed last week as the spread of the Covid-19 Delta variant dented optimism about the global economic recovery.

In the US, the S&P 500 and the Nasdaq recorded a fifth consecutive week of gains, rising 1.7% and 2.0%, respectively. Investor sentiment was boosted by better-than-expected labour market data and a surge in consumer confidence.

In contrast, the pan-European STOXX 600 slipped 0.2% amid concerns about inflation and a spike in coronavirus cases. The UK's FTSE 100 also fell 0.2%, while France's CAC 40 declined 1.1% and Germany's Dax managed a 0.3% gain.

Fears about the rebound in infections spilled over to Asia, where Japan's Nikkei 225 declined by 1.0%. The Japanese government is considering extending Covid-19 restrictions beyond 11 July, which could affect how many spectators are allowed in Olympic venues.

Last week's market performance*

- FTSE 100: -0.18%
- S&P 500: +1.67%
- Dow: +1.02%
- Nasdaq: +1.94%
- Dax: +0.27%
- Hang Seng: -3.34%
- Shanghai Composite: -2.46%
- Nikkei: -0.97%

*Data from close on Friday 25 June to close of business on Friday 2 July.

Morrisons bidding war boosts FTSE

The FTSE 100 rose 0.6% on Monday (5 July), led by an 11.6% surge in Wm Morrison shares after US buyout firm Apollo Global said it was considering making an offer for the supermarket chain. It came after Fortress Investment Group made a £6.3bn takeover bid over the weekend.

UK stocks were also buoyed by the latest IHS Markit / CIPS UK services PMI, which measured 62.4 in June, the second-highest reading since October 2013.

The pan-European STOXX 600 ended Monday's trading session up 0.3% after figures showed eurozone business activity expanded at the fastest rate in 15 years in June. In contrast, markets in Asia were mixed after the latest Caixin / Markit services PMI showed a sharp decline from 55.1 in May to 50.3 in June.

Stock markets in the US were closed on Monday for the Independence Day public holiday.

The FTSE 100 started Tuesday's trading session 0.1% lower after the pound rallied against the dollar on news the lifting of Covid-19 restrictions in England will go ahead on 19 July.

Cases rise in Europe for first time in ten weeks

A surge in coronavirus cases weighed on major European indices and bond yields last week. The World Health Organization (WHO) confirmed the number of new Covid-19 cases in Europe had risen for the first time in ten weeks because of increased mixing, summer travel and the rapid spread of the Delta variant.

Hans Kluge, the WHO's regional director for Europe, said new infections had jumped by 10% and the variant was already causing increased hospitalisations and deaths. At least 63% of people in Europe are still waiting for a first dose of a coronavirus vaccine. Christine Lagarde, president of the European Central Bank, warned of the threat posed by virus variants to the economy, stating: "A Delta variant that spreads quickly is an uncertainty, and it is an uncertainty that will weigh on the balance of risks today."

In the UK, where vaccination rates are higher, the number of daily deaths remains low despite a surge in infections. On Sunday, there were 24,248 coronavirus cases and 15 deaths, according to UK government figures reported by Sky News.

US consumer confidence at 16-month high

Over in the US, The Conference Board's index of consumer confidence rose to 127.3 in June – the highest level since the onset of the pandemic in March 2020.

The present situation index, based on consumers' assessment of current business and labour market conditions, rose from 148.7 to 157.7. The expectations index, based on consumers' short-term outlook for income, business and labour market conditions, improved to 107.0 from 100.9.

“While short-term inflation expectations increased, this had little impact on consumers' confidence or purchasing intentions,” said Lynn Franco, senior director of economic indicators at The Conference Board. “In fact, the proportion of consumers planning to purchase homes, automobiles and major appliances all rose – a sign that consumer spending will continue to support economic growth in the short term.”

US consumer confidence



Source: The Conference Board / Refinitiv Datastream

US stock markets were also supported by stronger-than-expected labour market data. According to the Labor Department, employers added 850,000 nonfarm jobs in June – the most since August 2020. Meanwhile, weekly

jobless claims fell to a pandemic-era low of 364,000 for the week ending 26 June, a decline of 51,000 from the previous week.

UK house prices rise at fastest pace since 2004

House prices in the UK grew at the fastest annual rate in 17 years in June, according to the latest figures from Nationwide. The average price of a UK home rose by 13.4% from a year ago to £245,432. On a monthly basis, prices increased by 0.7%.

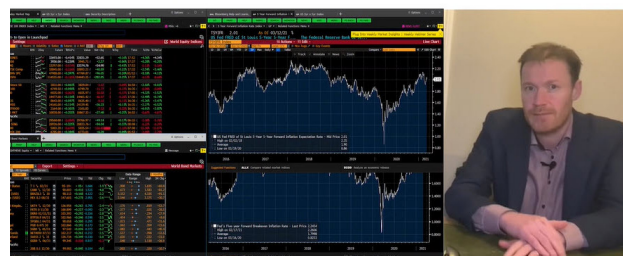
Northern Ireland and Wales saw the largest gains, up by 14.0% and 13.4% from a year ago. Scotland saw the weakest rate of annual growth at 7.1%, followed by London at 7.3%.

Robert Gardner, Nationwide's chief economist, said some of the annual increase was due to base effects as June 2020 was unusually weak because of the first lockdown. However, the market continues to show momentum, with prices in June almost 5% higher than in March.

“Activity will almost inevitably soften for a period after the stamp duty holiday expires at the end of September, given the strong incentive for people to bring forward their purchases to avoid the additional tax,” said Gardner. “Nevertheless, underlying demand is likely to soften around the turn of the year if unemployment rises as most analysts expect, as government support schemes wind down. But even this is far from assured.”

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