SLOWING VACCINATION RATES CLOUD THE OTHERWISE SUNNY FORECAST FOR THE US

This week Joe Biden addressed the United States Congress for the first time as president and declared "the US is ready to take off". According to data released this week it looks like it already has. US GDP growth is estimated to be around 6.4 per cent based on the first three months of the year, and with restrictions loosening and more government spending it could move up significantly. The one cloud on the horizon is that despite less than half the country being inoculated and vaccines being made at an incredible pace the rate of those vaccinations is starting to decrease.

Elsewhere there is further evidence of clear divergence between those countries that have gotten on top of their Covid outbreaks and those that haven't, with the starkest contrast being India. While there is quite a disparity between regions over how bad the health crisis has become, in the worst hit areas it is extreme. A global effort to share medical resources and vaccines is required to prevent the outbreak from spiralling further and would hopefully provide a blueprint for tackling the virus globally.

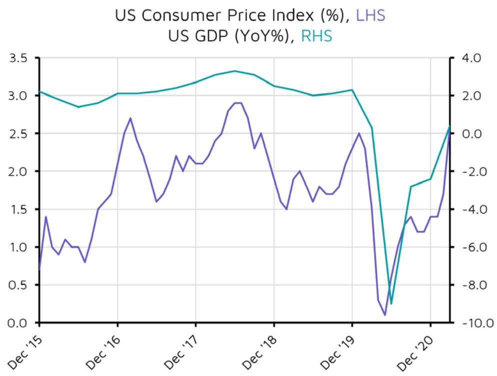
THE MARKETS THIS WEEK

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%	+1.85%	-1.29%	-0.35%	-1.25%	+0.09%	+0.09%	+3.52%	-0.37%	+4.22%	+0.30%

US: GDP GROWS AT FASTEST RATE IN ALMOST 40 YEARS

The US economy grew by 6.4 per cent in the first three months of the year, the fastest first quarter growth since 1984. The rapid recovery brings total GDP to within 1 per cent of its pre-pandemic level as the early success of the US vaccination programme helped the economy re-open. The outlook for US growth remains strong with president Joe Biden pushing his $2.3tn infrastructure in this week's address to congress.

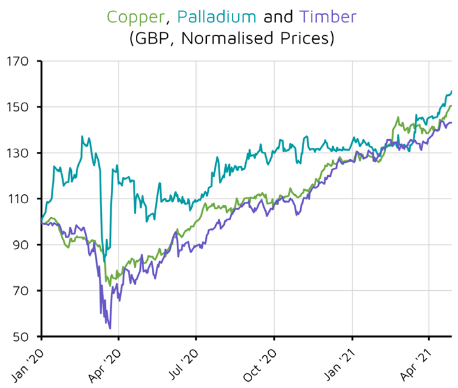
The US Federal Reserve also noted the strength of the economic rebound at its monthly interest rate meeting. However, it chose to leave interest rates and its bond purchase scheme unchanged and said it would take "substantial further progress" towards its aims of full employment and 2 per cent inflation before it took any action. Recovery in the US is in sharp contrast to the EU which fell into recession last quarter as GDP dropped 0.4 per cent compared to the previous quarter.



COMMODITIES: SURGE IN DEMAND PUSHES COPPER TO HIGHEST IN ALMOST 10 YEARS

Commodity prices continue to rise sharply as economies recover and global trade resumes. Copper, cobalt and palladium have all seen prices rise over the last year as commodities used in manufacturing and industry have seen demand surge. This week copper rose above $10,000 a tonne for the first time since 2011 helped by China's economic recovery and the increase in green energy projects globally. Increased optimism about global recovery has seen value of copper rise 11 per cent this month and 26 per cent this year. Tin, cobalt and palladium are up 42 per cent, 46 per cent and 22 per cent in 2021 respectively.

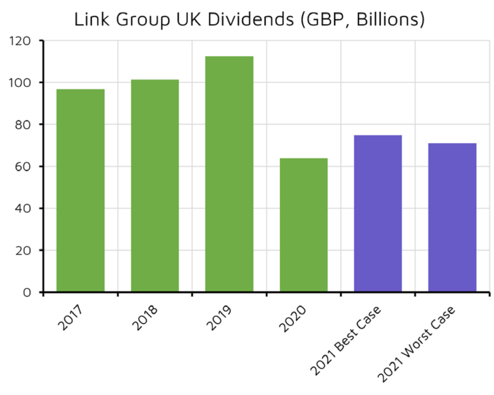
With the coronavirus affecting copper production in Chile, one of the world's major producers, supply is expected to remain restricted and an increase in demand could see copper test its all-time high set during the commodity boom of 2011. In contrast, precious metals without industrial use, such as gold and silver, have seen their prices decline in 2021.



EQUITIES: OUTLOOK FOR UK DIVIDENDS BEGINS TO IMPROVE

There are grounds for cautious optimism for income investors as this week saw four of the big five UK banks indicate a return to dividends is likely this year. All the banks delivered their latest earnings updates and strong trading figures were boosted by far fewer bad loans than they had allowed for. This clears the way for the return of many of the UK's biggest dividend payers, subject to the regulator's approval.

This is part of a trend of companies reinstating dividends. After the dramatic cuts seen in 2020, the first three months of 2021 have seen a big slowdown in the cuts to regular dividends and many companies have already announced the reintroduction of payments that were suspended or scrapped last year. Although the payment of regular dividends has continued to fall this is expected to reverse from next quarter. A number of companies have also introduced special dividends and this has helped the total payments to shareholders in Q1 rise above the level seen in 2020.



Data Sourced from FE Analytics, and Bloomberg Finance LP