

## **Market Update**

### **India in the Spotlight**

Residing in the UK, it is easy to get carried with the apparent success of our vaccine programme and the freedoms that are returning as we exit lockdown. While domestic data is indeed promising, a quick look at other areas can have a sobering effect. Global stock markets fell significantly on Tuesday as attention turned to conditions in India, with the country now experiencing well over 200,000 daily confirmed cases and with hospitals rapidly reaching capacity. Japan is also struggling, with a state of emergency being considered for a number of regions, including Tokyo. Meanwhile, cases continue their rise in Europe and even the US, which has comparatively high levels of vaccination, is also seeing an uptick in cases. This shows, therefore, that the pandemic is far from over on a global basis and with that, the potential for the emergence of a vaccine beating virus strain remains a large threat.

### **Vaccination Success**

Nonetheless, data on current vaccine efficacy is highly encouraging. While virus transmission continues to grow in many areas, the proportion of cases, hospitalisations and deaths amongst the elderly are falling and with vaccinations generally being offered to society's oldest first, this shows that the vaccines are effective at preventing the disease. Israel is now reaping the rewards of its rapid vaccination rollout, with cases remaining suppressed despite greater social mobility. The UK too looks to be heading in this direction, although with the reopening of pubs and non-essential shops last week, it remains to be seen whether an uptick in cases is on the way.

### **The Potential to Spend**

The race to vaccinate therefore remains key in the path beyond Covid. Yet, once countries are able to remove restrictions, there are very positive signs for the global economy. Data from Moody's suggest that households have amassed large savings throughout the pandemic, with unprecedented government support policies helping build a savings pot equivalent to approximately 6% of the global economy. While this is likely concentrated amongst the well-off, who are less likely to spend excess savings, it is still expected to create a surge in consumption, once the opportunity to do so re-emerges. Such a trend appears to be emerging in the UK with the FT reporting a number of rapid data points showing that footfall and spending in the retail and leisure sectors has jumped significantly since the April 12<sup>th</sup> lockdown easing.

### **Inflation Rebound**

Should the reopening continue in the UK, then this trend of spending is likely to contribute to a much healthier economy in the coming months, with GDP figures expected to rise. Inflation too, is also likely to rise. Yesterday it was reported that CPI was at 0.7% in March, up from 0.4% in February. As we move into summer, consensus expectations are for higher rates still, but beyond that the picture is more uncertain. On the one hand, slack in the labour market is expected to limit wage rises, yet on the other, the expected pick up in consumption, combined with continued stimulus measures from governments and central banks around the world will have an inflationary impact. Markets will happily accept a return to target level inflation, but should it move much higher than this, then concern amongst investors could build. One to watch.

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Future Money Ltd

Henry Wood House · 2 Riding House Street · London · W1W 7FA

0203 4570 387

[www.futuremoney.co.uk](http://www.futuremoney.co.uk)