Markets in a Minute

7 April 2021

Equities rise on Biden's $2trn infrastructure package

Most major stock markets rose last week after the release of Joe Biden's infrastructure plan boosted hopes for faster economic growth.

In the US, the S&P 500 crossed the 4,000 threshold for the first time, ending the shorter four-day trading week up 1.1%. The technology-focused Nasdaq climbed 2.6%, boosted by gains in semiconductor and hardware stocks and a rally in Facebook shares.

European shares also rose to near record highs, as the US infrastructure spending package outweighed concerns about extended lockdown restrictions on the continent. The pan-European STOXX 600 added 2% and Germany's Dax rose 2.4%. The UK's FTSE 100 was broadly flat, with corporate news thin on the ground ahead of the long Easter weekend.

In Asia, the Hang Seng, Nikkei and Shanghai Composite all gained about two percentage points amid optimism over the US economic recovery.

Last week's markets performance*

- FTSE 100: -0.05%
- S&P 500: +1.14%
- Dow: +0.24%
- Nasdaq: +2.60%
- Dax: +2.43%
- Hang Seng: +2.13%
- Shanghai Composite: +1.93%
- Nikkei: +2.32%

** Data from close on Friday 26 March to close of business on Friday 2 April.*

US stocks surge on strong jobs report

The S&P 500 and the Dow surged more than 1% to reach record highs on Monday as encouraging jobs and service sector reports raised hopes of strong economic growth.

The US economy added 916,000 jobs in March, the most in seven months and well above the 647,000 jobs forecast by a Reuters poll of economists. This followed an upwardly revised gain of 468,000 in February. Meanwhile, a measure of US services industry activity jumped to a record high in March amid robust growth in new orders.

Wall Street stocks dipped slightly on Tuesday, with the S&P 500 down 0.1%, led by losses among technology stocks. The FTSE 100 gained 1.3% on its first day of trading after the Easter break, following confirmation from Boris Johnson that the UK's lockdown easing plans are on track. The pan-European STOXX 600 added 0.7%.

At the start of trading on Wednesday, the FTSE 100 was up 0.3% and Germany's Dax hit a new record high of 15,235 points, following upgraded global growth forecasts by the International Monetary Fund.

Infrastructure cheer offsets Archegos fears

Last week started on a mixed note as investors kept a watchful eye on the fall-out from the collapse of family office hedge fund Archegos Capital Management. However, concerns quickly dissipated when US President Joe Biden unveiled details of his infrastructure plan.

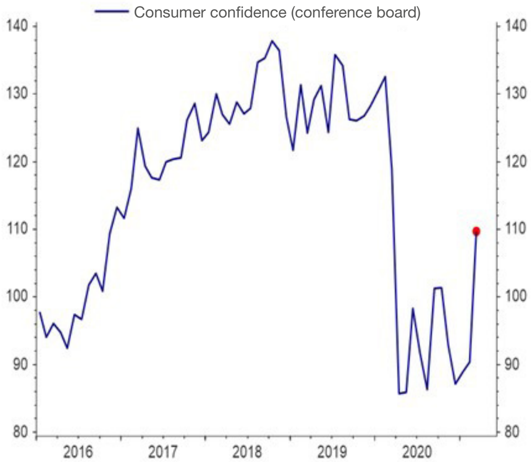
At $2trn, it is the biggest public investment programme since the creation of the interstate highway system and the space race of the 1960s. The measures include rebuilding 20,000 miles of roads and highways, repairing bridges, expanding access to high-speed broadband, upgrading the electric grid, and research and development in areas such as artificial intelligence and biotechnology.

Biden claimed the 'once-in-a-generation' investment in American infrastructure would create the 'strongest, most resilient, innovative economy in the world' and generate millions of new jobs. To pay for the package, he proposed an increase in corporate taxes over the course of 15 years. This would include raising the corporate tax rate from 21% to 28%, and requiring multinational corporations to pay more taxes in the US on profits earned abroad.

US consumer confidence hits one-year high

Investors were also cheered by the release of encouraging economic data. The Conference Board's March survey showed US consumer confidence rose to its highest level since the start of the Covid-19 pandemic, jumping 19.3 points to 109.7. This was the largest monthly increase since April 2003.

US consumer confidence surges in March



Source: Refinitiv Datastream

The present situation index, based on consumers' assessment of current business and labour market conditions, climbed from 89.6 to 110.0, while the expectations index, based on consumers' short-term outlook for income, business and labour market conditions, increased from 90.9 to 109.6.

Lynn Franco, senior director of economic indicators at The Conference Board, said the results indicated that economic growth is likely to strengthen further in the coming months, adding: 'Consumers' renewed optimism boosted their purchasing intentions for homes, autos and several big-ticket items. However, concerns of inflation in the short-term rose, most likely due to rising prices at the pump, and may temper spending intentions in the months ahead.'

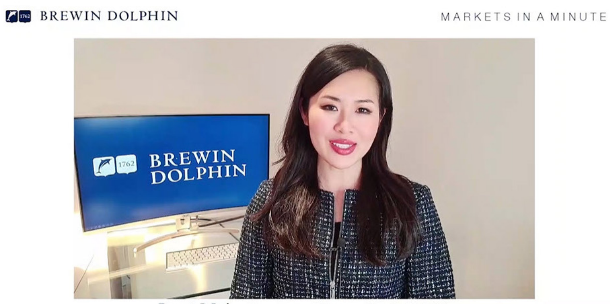
Labour market data was less encouraging. Weekly jobless claims rose to 719,000 from a downwardly revised reading of 658,000 the week before, and a tally of private sector job gains missed consensus forecasts.

France enters third national lockdown

Over in Europe, the surge in coronavirus cases has resulted in some countries widening lockdown measures. France entered its third national lockdown on Saturday, requiring all schools and non-essential shops to shut for four weeks. On Friday, the number of seriously ill Covid-19 patients in intensive care units increased by 145 – the biggest jump in five months.

Elsewhere, Germany reversed plans for a strict Easter lockdown, whereas Italy entered a three-day lockdown on Saturday to try to prevent a surge in cases over the Easter weekend. All regions in Italy are in the 'red zone', the highest tier of restrictions.

The World Health Organization (WHO) recently described Europe's vaccine roll out as 'unacceptably slow' and said the continent must speed up the process by ramping up manufacturing and reducing barriers to administering vaccines. According to the WHO, only 10% of people in the EU have had a single dose of the vaccine.



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