



BREWIN DOLPHIN

Markets in a Minute

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Stocks rise as wholesale gas prices hit record high

Most major stock markets ended last week in the green after a volatile few days that saw wholesale gas prices hit record highs.

The S&P 500 gained 0.8% as the rise in UK and European gas prices boosted energy stocks. The Dow ended the week up 1.2%, with stocks rallying on Thursday amid reports that the Senate had passed a bill to raise the debt ceiling and enable the government to keep paying its bills through early December.

The pan-European STOXX 600 and the UK's FTSE 100 both added 1.0% as fears about the impact of rising energy prices eased throughout the week.

In contrast, Japan's Nikkei 225 slumped 2.5% on concerns that new prime minister Fumio Kishida would increase capital gains tax in an attempt to rectify wealth disparities.

Last week's market performance*

- FTSE 100: +0.97%
- S&P 500: +0.79%
- Dow: +1.22%
- Nasdaq: +0.09%
- Dax: +0.33%
- Hang Seng¹: +1.07%
- Shanghai Composite²: +0.67%
- Nikkei: -2.51%

* Data from close on Friday 1 October to close of business on Friday 8 October.

¹ Closed Friday 1 October.

² Closed Friday 1 October to Thursday 7 October.

Wall Street slips on inflation concerns

US indices fell on Monday (11 October) as fears about inflation and supply chain constraints continued to weigh on investor sentiment. The S&P 500, Dow and Nasdaq all lost 0.7% as the surge in oil prices fuelled concerns about tighter monetary policy. In contrast, the FTSE 100 gained 0.7%, boosted by strong performance in its large mining sector.

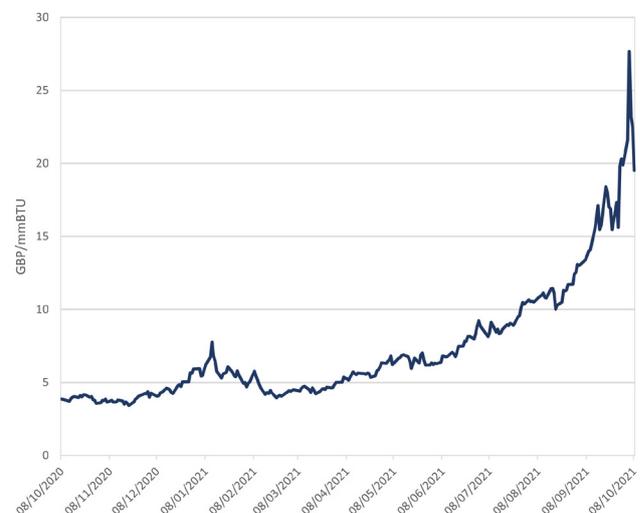
UK and European indices started Tuesday in the red, with the FTSE 100 and the STOXX 600 down 0.8% as investors mulled the latest UK jobs data. Figures from the Office for National Statistics showed that while unemployment fell to 4.5% in the three months to August, vacancies rose to a record high of 1.2 million, indicating that companies are struggling to fill jobs.

Investors are looking ahead to this week's US inflation and retail sales figures, and for any signs of 'stagflation' – a period of high inflation and unemployment coupled with slow economic growth.

Wholesale gas prices soar

UK wholesale gas prices hit a new all-time high on Wednesday, surging by nearly 40% in just 24 hours. High global demand and reduced supply has seen prices soar this year, resulting in several UK energy firms collapsing. Prices subsequently fell back after Russia's president Vladimir Putin said the country would help to ease the crisis by boosting supplies to Europe.

UK gas prices



Source: Refinitiv Datastream / Bloomberg

There are concerns higher prices will lead to unaffordable bills for some businesses, especially those requiring heat as part of their production processes. This could result in lower production, factory closures and unemployment. Businesses could also pass on higher energy bills to consumers, thereby squeezing household finances.

Europe has also seen rising gas prices, but European Central Bank president Christine Lagarde said last week that policymakers should not 'overreact' to rising energy prices or supply shortages because 'our monetary policy cannot directly affect those phenomena'. Minutes of the ECB's September meeting, reported by the *Financial Times*, showed some policymakers were concerned about 'upside risks' to inflation and had called for a bigger cut in asset prices than was ultimately decided. Policymakers said inflation could exceed the ECB forecasts 'if a different path materialised for oil prices' and if supply chain issues lasted longer than expected.

US payrolls miss expectations

Last week also saw the release of the closely watched US nonfarm payrolls report, which showed payrolls rose by 194,000 in September – well below the Dow Jones estimate of 500,000. This followed an upwardly revised gain of 366,000 in August, according to the Labor Department.

Several newspapers are speculating about whether the jobs report could encourage the Federal Reserve to start tapering its support for the economy. The Fed previously said it would continue its current asset purchasing programme until there was substantial further progress on two goals: inflation averaging around 2% and maximum employment.

Although the headline payrolls figure missed expectations, other aspects of the jobs report were more positive. For example, whereas the number of Americans on government payroll fell by 123,000, there was a 317,000 increase among those on private payrolls, suggesting hiring strength in the private sector. Meanwhile, the unemployment rate fell to 4.8%, the lowest since February 2020 and better than the expected 5.1%.

New Japanese PM takes office

Over in Asia, Fumio Kishida, who won the leadership race for Japan's ruling Liberal Democrat Party, was confirmed as the country's new prime minister. This was thought to be one of the reasons behind last week's slump in Japanese stocks, with investors rattled by suggestions that Kishida might push for an increase in capital gains tax. On Sunday, however, Kishida announced that he had no such plans for the time being, and that he would pursue other steps to rectify wealth disparities first.



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