globalmatters

weekly

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Be smart, be decent: empower women

by Lorenzo La Posta, CFA

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I think we, as human species, have proved how advanced and smart we are in many ways: we have sent people into space, observed the smallest atoms, cured diseases and invented pizza. Yet, many people still fall foul of one of the most extreme idiocies: sexism. There is no justifiable or objective reason behind the discrimination based on the absence (or presence) of the Y chromosome, so, in a world of cognitive human beings, such a thing should not exist at all. Yet it does, and I can't really understand why, because gender discrimination is not only terribly wrong, but also plain stupid.

This is too vast a topic, that unfortunately permeates many areas of societies and people's lives, so I want to focus on just one component of it: the workplace and economic discrimination between males and females. I promise, no sterile critique. Rather, I'm here to quantify some of the economic consequences of gender inequality.

To summarise what one part of the problem is, today[1] on average women all over the world tend to earn less than men, being typically underrepresented in senior positions within firms and overrepresented in low-paying jobs. Also, women are underrepresented in national parliaments and local governments, despite effectively half the world's population being female. If some progress has been made in the past 20 years or so to reduce these and the many more existing inequalities, there is still a long way to go until full parity.

Regardless of where you live or what gender you identify with, gender equality is a fundamental human right and promoting it should need no additional incentivisation. Yet, I promised to be practical.

Gender discrimination is not only terribly wrong, but also plain stupid

According to US government data[2], boosting female labour equality could add as much as $1.5 trillion to US GDP each year. In fact, increasing female labour participation by 15 million people and closing the wage gap, would add as much as 12% to labour income that would in turn translate to around a 7% increase in GDP. So, even taking a few steps in favour of labour force inclusivity and pay equity would bring substantial advantages for the entire population. Everyone, men and women, would benefit from gender equality.

According to the World Bank[3], the economic cost of gender inequality has been about $160 trillion for the entire globe. On average, each one of us is missing out on around £23,620 in wealth, because of the barriers that women face to fully participate in the work force and earn as much as men. Currently women account for only 38% of their country's human capital wealth, compared to 62% for men. The largest losses are observed in larger and more developed economies, such as North America, Europe, the Pacific and Eastern-Central Asia so I, as a European worker, am missing out on much more than average!

These two examples of clear, quantifiable consequences of gender inequality should convince even the more stubborn (and I'm being nice here) people that promoting equality is not only the very least one could do as a human being, but is also very advantageous for everyone, even for those who do not directly suffer from discrimination. I want to borrow from the United Nations in saying that "Gender equality it is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world".

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[1] United Nations Sustainable Development Goal n.5 ; [2] US Bureau of Labor Statistics and Goldman Sachs Asset Management, as of January 31st, 2021; [3] The World Bank Group, "Unrealized potential: the high cost of gender inequality in earnings"

Market Focus

- Global equities rose 0.2% last week
- G7 countries will discuss an international system of recognising vaccination certificates to support the resumption of global travel
- Brent crude fell -3.3% last week to $66.4 a barrel
- Gold rose 2.1% to $1881.3 per ounce

US

- US equities fell -0.4% last week
- Weekly initial jobless claims declined to a post-pandemic low of 444k against expectations of 450k
- The Composite PMI reading increased to 68.1, its highest reading since 2009. The service sector component of the survey was particularly strong, jumping to a record 70.1 in May, from 64.7 in the previous month
- The Conference Board's Leading Economic Index was up 1.6%, beating expectations of 1.3%
- The latest Federal Reserve meeting minutes were released, with the biggest development being that some officials believe that conversations about tapering are coming
- The New York Fed's Empire State manufacturing survey for May fell to 24.3 ahead of 23.9 expected
- Housing releases saw a slight miss against expectations, with housing starts down to an annualised rate of 1.569m in April (vs 1.704m expected)

Rest of the World/Asia

- The benchmark Global Emerging Markets index returned 1.7% last week
- Japanese equities rose 1.1% over the week
- Chinese equities rose 2.5% last week
- Japan's preliminary Q1 annualised GDP print came in at -5.1% quarter-on-quarter, lower than the -4.5% expected
- The Composite PMI reading in Japan fell to 48.1 from 51.0 last month
- The Japanese government panel approved the use of the Moderna and AstraZeneca vaccines, joining the Pfizer/BioNTech vaccine that's already been approved

Europe

- European equities rose 0.7% last week
- In the Euro Area, the headline PMI rose to 56.9, a three-year high, beating expectations of 55.1
- German producer prices increased by 5.2% year-on-year in April, slightly ahead of expectations, marking the fastest pace of growth in nearly a decade
- German Manufacturing PMI was also at a robust 64.0 slightly behind the 65.9 expected

UK

- UK equities fell -0.3% last week
- CPI inflation rose to 1.5% in March in line with expectations, up from 0.7% in February, marking the fasted pace of price growth in over a year
- UK Services PMI rose to 61.8, slightly missing expectations of 62.2
- The house price index showed average house prices were up 10.2% year-on-year in March, the fastest pace of house price growth since before the global financial crisis
- The unemployment rate fell to 4.8% in the three months to end March against expectations of 4.9%

Market Summary

		Cumulative returns			
Asset Class / Region	**Currency**	**Week ending 21 May**	**Month to date**	**YTD 2021**	**12 months**
Developed Markets Equities					
United States	USD	-0.4%	-0.5%	11.1%	42.5%
United Kingdom	GBP	-0.3%	1.4%	11.0%	19.9%
Continental Europe	EUR	0.7%	2.0%	12.2%	35.1%
Japan	JPY	1.1%	0.3%	6.5%	30.4%
Asia Pacific (ex Japan)	USD	1.7%	-1.7%	3.8%	46.0%
Australia	AUD	0.3%	0.4%	8.4%	30.5%
Global	USD	0.2%	0.3%	10.1%	44.0%
Emerging Markets Equities					
Emerging Europe	USD	1.9%	7.2%	9.7%	30.8%
Emerging Asia	USD	2.1%	-2.4%	2.1%	46.4%
Emerging Latin America	USD	-1.3%	4.1%	2.2%	51.7%
BRICs	USD	2.3%	-0.2%	1.0%	38.2%
China	USD	2.5%	-2.9%	-2.0%	30.6%
MENA countries	USD	0.6%	0.6%	16.6%	40.9%
South Africa	USD	1.7%	2.6%	14.8%	55.0%
India	USD	4.0%	5.3%	9.1%	74.7%
Global emerging markets	USD	1.7%	-1.2%	3.6%	46.0%
Bonds					
US Treasuries	USD	0.1%	0.0%	-3.9%	-4.5%
US Treasuries (inflation protected)	USD	-0.4%	0.7%	0.3%	6.5%
US Corporate (investment grade)	USD	0.2%	0.2%	-3.4%	3.9%
US High Yield	USD	-0.1%	-0.1%	1.9%	16.7%
UK Gilts	GBP	0.3%	-0.4%	-7.3%	-8.6%
UK Corporate (investment grade)	GBP	0.2%	-0.3%	-4.2%	3.9%
Euro Government Bonds	EUR	0.3%	-0.6%	-4.0%	0.2%
Euro Corporate (investment grade)	EUR	-0.1%	-0.4%	-1.1%	5.1%
Euro High Yield	EUR	0.0%	-0.1%	2.1%	15.3%
Japanese Government	JPY	-0.1%	0.0%	-0.3%	-1.0%
Australian Government	AUD	0.4%	0.2%	-3.4%	-2.8%
Global Government Bonds	USD	0.4%	0.4%	-4.2%	1.5%
Global Bonds	USD	0.3%	0.4%	-3.2%	4.1%
Global Convertible Bonds	USD	2.0%	-1.6%	-0.2%	25.8%
Emerging Market Bonds	USD	0.2%	0.9%	-4.6%	4.6%

Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.

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		Cumulative returns			
Asset Class / Region	**Currency**	**Week ending 21 May**	**Month to date**	**YTD 2021**	**12 months**
Property					
US Property Securities	USD	0.7%	-1.1%	15.9%	41.4%
Australian Property Securities	AUD	0.5%	-0.2%	1.6%	23.9%
Asia Property Securities	USD	2.0%	-0.3%	6.4%	17.9%
Global Property Securities	USD	1.1%	-0.2%	10.8%	37.0%
Currencies					
Euro	USD	0.2%	1.1%	-0.5%	11.0%
UK Pound Sterling	USD	0.3%	2.3%	3.6%	15.7%
Japanese Yen	USD	0.4%	0.3%	-5.2%	-1.2%
Australian Dollar	USD	-0.7%	0.1%	0.4%	17.7%
South African Rand	USD	1.1%	3.6%	4.9%	26.2%
Swiss Franc	USD	0.4%	1.5%	-1.6%	7.9%
Chinese Yuan	USD	0.0%	0.6%	1.4%	10.6%
Commodities & Alternatives					
Commodities	USD	-1.5%	0.1%	21.3%	59.1%
Agricultural Commodities	USD	-0.9%	-1.5%	18.8%	58.3%
Oil	USD	-3.3%	-1.2%	28.3%	84.2%
Gold	USD	2.1%	6.3%	-0.7%	9.1%
Hedge funds	USD	0.3%	-0.3%	2.8%	13.6%

Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.

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For more information, please contact:

Anastasiya Volodina
Distribution Services

E: distributionservices@momentum.co.uk
T: +44 (0)207 618 1806

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