

# State of Play



15 January 2021

This week, our Investment Specialist Simon Durling shares his thoughts on the UK's vaccination programme and President Donald Trump's impeachment as well as the latest economic and market news.

## Vaccination Programme

The UK Health Secretary Matt Hancock has outlined a vaccination programme expansion in an attempt to speed up the process of inoculating as many of the population as possible by the start of spring. He said on 11 January that 2.6 million people have received a vaccine injection thus far with nearly 400,000 of these receiving both doses, providing the maximum protection available. Nearly 40% of the over-80s had been given their first dose with a commitment to reach all of those in this age group by the end of January. Alongside plans to increase the number of vaccination centres, the UK Government has also started the recruitment of thousands of extra vaccinators to bring the total administering injections to 80,000 people.

The expectation is that by the end of this month 96% of the population will be within 10 miles of a vaccination centre which will include 206 hospital sites, 50 mass vaccination centres and 1,200 service sites across the country. The priority remains vaccinating the elderly and most vulnerable including NHS frontline staff by the middle of February (about 15 million people). Beyond this target they want to reach all over 50s by April. Once vaccinations gather pace and the current lockdown eases pressure on the NHS hospital admissions, only then will the UK Government be able to consider easing the current lockdown.

## Impeachment 2.0

Donald Trump became the first president in US history to be impeached twice, after being charged with 'incitement of insurrection' over last week's extraordinary events in Washington. The House of Representatives has voted to impeach him leading to a trial which will take place in the Senate. The vote in the House of Representatives fell 232 for and 197 against. Importantly, 10 Republicans joined Democrats to impeach President Trump but Senator Leader Mitch McConnell said he would not agree to use emergency powers to bring the Senate back into session for a trial before 19 January.

The impeachment trial will now have to take place after President Trump leaves office on 20 January. Whilst this means that Congress are unable to remove him from office (as he will already have handed over power on inauguration day) it does allow Senators the power to bar him from holding public office again. Most Republicans did not seek to defend President Trump's words or actions, instead arguing that the impeachment had bypassed the customary hearings and calling on Democrats to drop the process for the sake of national unity. After last week's security breach, the Capitol Building and the surrounding areas are under armed guard in preparation for the inauguration next week.

### What is impeachment?

Impeachment is when a sitting president is charged with 'treason, bribery, or other high crimes and misdemeanors'. President Trump is accused of inciting insurrection by encouraging his supporters to break into the Capitol Building last week. Impeachment trials take place in the Senate where two thirds of the votes are required to secure a conviction. Before Wednesday (13 January) only three Presidents in US history have ever been impeached: Andrew Johnson in 1868, Bill Clinton in 1998, and Donald Trump in 2019. President Trump is the only one to have been impeached twice.

## Economic news

Andrew Bailey, the Governor of the Bank of England, has warned that the UK has tipped back into recession following the sharp rise in infections triggering the third national lockdown. He explained that the economy will get worse before it gets better and any recovery will be significantly delayed due to the current crisis. Ben Broadbent, Deputy Governor for Monetary Policy, said the UK was in the grip of a 'double-dip recession'. Speaking at a Bank webinar, Mr Broadbent said gross domestic product (GDP) was likely to have ended 2020 'around 10% lower than at the end of 2019 which represents the sharpest decline, through any calendar year, at least since 1920'.

Retailers suffered their worst annual sales performance on record in 2020, driven by a slump in demand for fashion and homeware products, according to the British Retail Consortium (BRC). It meant an overall fall of 0.3% - the worst annual change since the BRC began collating the figures in 1995. The outlook remains bleak with much of the retail sector still closed under the third national lockdown and uncertainty about when high streets will reopen.

## Market update

Since last week's update markets have been mixed. Whilst the vaccination process is accelerating, the ongoing pandemic crisis and no firm announcements on additional financial stimulus in the US has led markets to take a breather after a very strong start to the year. US Treasury yields continue to rise above 1% for the first time since 8 March 2020, pricing in the cost of extra taxation and more borrowing to pay for the legislative priorities of President-elect Joe Biden's first 100 days in office - now that Democrats have control of Congress it is easier for them to implement their plans without political barriers. UK Government Bond yields have also risen since the start of the year as the market expects inflation to pick up in the short-term following the UK's departure from the European Union. Whilst the Bank of England has followed the Federal Reserve in the US by building in flexibility to tolerate inflation above the target of 2% for a more sustained period, with rates at recent record lows the expectation is that the momentum on rates is upwards, not just now but also in the medium-term.

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more**

Listen to our latest **Market Views** from our Head of Multi Asset Solutions, Stefano Amato, as he shares his thoughts on the main themes dominating markets in January [here](#).

Note: Data as at 13 January 2021.



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