



**THROGMORTON**  
PRIVATE CAPITAL

# Monthly Market Update



## June 2021

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“Countries who have successful vaccination programmes are expected to benefit from a broad economic recovery”



Matthew Cove DipFA  
Director  
01304 371 753

## May 2021 Market Commentary

Concerns regarding more persistent inflation impacted markets, which were more volatile and a little constrained in May. Fears that inflation may force central banks to raise interest rates earlier and more quickly than expected, could bring about the end of the post pandemic growth rebound.

However, the economic outlook for the second half of 2021 remains encouraging for those countries which have successful vaccination programmes, with a broad economic recovery expected.

### **United Kingdom**

FTSE All Share: 1.11%

GDP declined by 1.5% in Q1 2021. However, with growth estimated at 2.1% for March, this would represent the fastest monthly growth rate since 2020. As a result, it is projected that UK economy will grow at a rate of 6.5% to 7% in 2021, with GDP reaching its pre-pandemic level early in 2022. This data is reflective of the successful vaccine rollout.

The Bank of England (BoE) maintained the interest rate at 0.1% and left its target for asset purchases unchanged at £875 billion. However, the BoE signalled that it would slow the pace of asset purchases from £4.4 billion a week to £3.4 billion a week.

Inflation rose by 1.5% in April, and it is projected that it will rise above the Bank of England's 2% target in the second half of 2021 due to higher energy prices amid a strengthening economy.

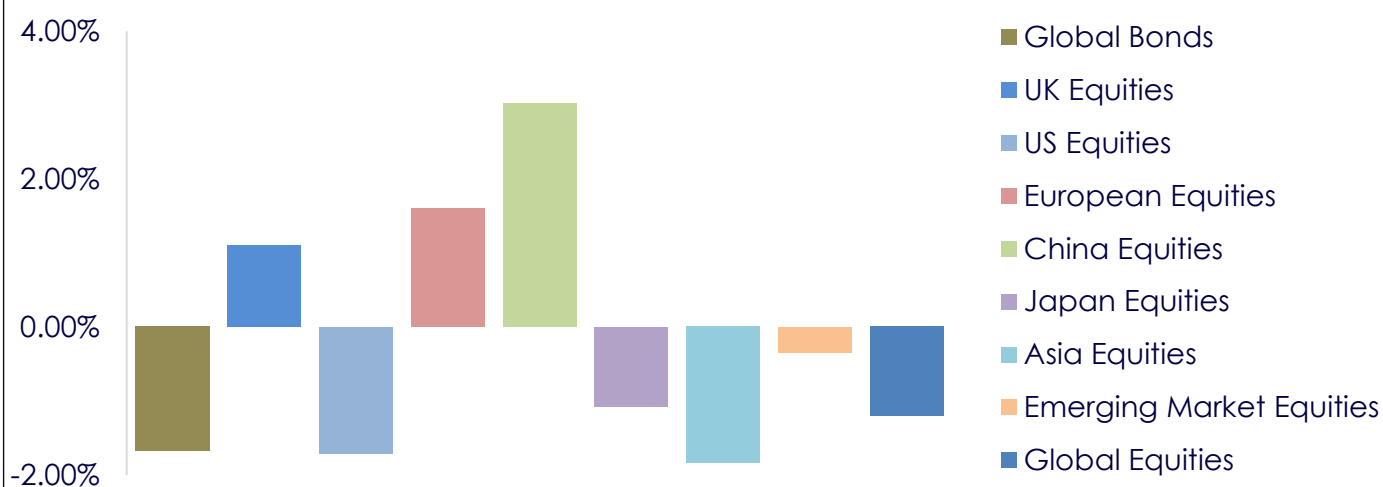
For three consecutive months the rate of unemployment in the UK has fallen, currently at 4.8% with employment continuing to be supported by the extension of the Coronavirus Job Retention Scheme.

## United States

S&P 500: -1.71%

Growth of 6.4% was achieved in Q1. Furthermore, with the vaccine roll out on course to cover about 65% of the population by the end of June and economic indicators showing high demand for goods and services, double-digit growth is projected in the US for 2021.

## Discrete Monthly Performance as at 31/05/2021



The US Federal Reserve (Fed) left its interest rate at 0%–0.25% and its bond-buying programme unchanged at \$120 billion per month. It also emphasised that it would communicate potential changes to the bond-buying programme in advance of any tapering of purchases so that it did not come as a shock to markets.

Inflation rose by 0.8%, which was greater than previously forecast. Despite this greater than expected increase, experts project inflation of around 3% for the rest of 2021 before dropping back toward 2% for most of 2022, which would be within the Fed's target. Unemployment rose to 6.1% in April.

## Europe

FTSE Developed Europe ex UK: 1.61%

GDP declined by 0.6% in Q1, and this officially marked a double-dip recession. However, recent data alongside generally stronger

sentiment indicates economic growth, which is projected to be around 4% in 2021.

The European Central Bank (ECB) left interest rates unchanged at -0.5%. The ECB reiterated that it would continue asset purchases under its Pandemic Emergency Purchase Programme at least until March 2022.

Inflation rose to 1.6% in April, but unemployment fell to 8.1%, which is nearer to where it was at the start of the pandemic.

## China

CSI 300: 3.02%

China grew by 18.3% in Q1 2021. However, recent economic data suggests an uneven recovery as exports and investments are driving the economy, but domestic consumption continues to lag this. Experts predict GDP growth of around 9% for 2021.

Inflation rose by 6.8% in April. However, with

modest recovery of domestic consumption, this is forecast to be a temporary spike and that inflation will be around 1.5% for 2021, which is below the People's Bank of China's 3% target.

## Japan

MSCI Japan: -1.08%

Despite the rate of Covid infections in Japan remaining markedly below most other countries, a persistent increase in the number of cases led the government to extend the state of emergency throughout May. However, there has been a substantial acceleration in the roll out of a vaccination programme through the use of mass vaccination centres.

Consumer sentiment has been impacted by the latest restrictions imposed. However, it is forecast that the impact of this on growth may be less than in the previous periods of restriction.

## Emerging Markets

MSCI Emerging Markets: -0.34%

Asia is currently the focal point for virus

transmission. The virus remains an issue in India and has also re-emerged significantly in Taiwan and in Southeast Asia. This has led to a lowering of growth forecasts, with projected growth of 8% in Asia and 4% in Latin America.

Upticks in inflation have been recorded recently in China, Indonesia, the Philippines, and India, with inflation in other regions largely rising to above its pre-Covid level.

## Global Bonds

Bloomberg Barclays Global Agg: -1.68%

Government bond yields were little changed in May, having consolidated following a period of being sold off during 2021. Bond yields had risen earlier in May, as data showed US inflation rising.

European bond yields continued to rise initially, with the vaccine roll-out and economic recovery gaining traction, then fell in the last week of May on dovish comments from the ECB.

**All investment involves risk. It is important you understand that past performance is not a guarantee of future performance. The value of investments and any income derived from them may go down as well as up and you might not get back the full amount you invested.**

## Cumulative Performance and Annualised Volatility as at 31/05/2021

	1 Year %	3 Years %	5 Years %	Volatility % <sup>2</sup>
Global Bonds	-9.14	6.45	19.36	9.40
UK Equities	23.13	5.92	40.50	13.78
US Equities	21.77	51.66	120.19	13.39
European Equities	25.87	28.94	74.13	13.64
Japan Equities	8.88	12.86	62.68	12.18
Asia Equities	39.48	33.60	105.76	14.58
China Equities	37.11	40.66	98.12	16.32
Emerging Market Equities	31.33	23.40	96.10	14.41
Global Equities	22.30	40.18	99.16	12.69

Data source FE Analytics 31/05/2021. Indices used: Global Bonds: Bloomberg Barclays Global Aggregate, UK Equities: FTSE All Share, US Equities S&P500, European Equities: FTSE Developed Europe (Ex UK), Japan Equities: MSCI Japan, Asia Equities: FTSE World Asia Pacific (Ex Japan), China: CSI 300, Emerging Markets Equities: MSCI Emerging Markets, Global Equities: MSCI World. Volatility annualised over 5 years.

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