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Monthly Market Update



April 2021

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March 2021 Market Commentary

“Growth forecasts have been revised upward, with optimism due to a new \$1.9 trillion US stimulus package & the global Covid-19 vaccine rollout”

Global economic growth forecasts for 2021 have generally been revised upwards, with estimated growth for the US and emerging markets rising to 7.5% and 6% respectively. The optimism for higher growth is in part due to the passing of a further stimulus package in the US and the progress of the Covid-19 vaccine rollout across the globe. It is projected that 70% of the population in the UK will have received a first vaccine by May and the EU is on track to achieve this feat by September. Furthermore, markets are being supported by the US Federal Reserve (Fed) indicating that it is unlikely to raise its interest rate during 2021.



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United Kingdom

FTSE All Share: 3.98%

GDP in the UK is estimated to have fallen by 2.9% in January due to the lockdown restrictions. However, as the number of Covid-19 cases reduce, the pace of vaccination increases and the restrictions are lifted, it is expected that this fall will be reversed. Indeed, a meaningful economic rebound in Q2 and Q3 is predicted with growth of around 6% forecast, which is further supported by the fiscal support package valued at £65 billion that was announced in the Budget.

The Bank of England (BOE) maintained interest rates at 0.1% and left

its government bond purchase programme target unchanged at £875 billion. This is expected to continue until the end of 2021, with interest rates forecast to remain unaltered for a further year. Experts predict that inflation in the UK will rise toward the BOE's 2% target during 2021, after rising by 0.7% in January. The unemployment rate rose to 5.1% in Q4 2020. Analysts expect employment to be supported by an extension of the Coronavirus Job

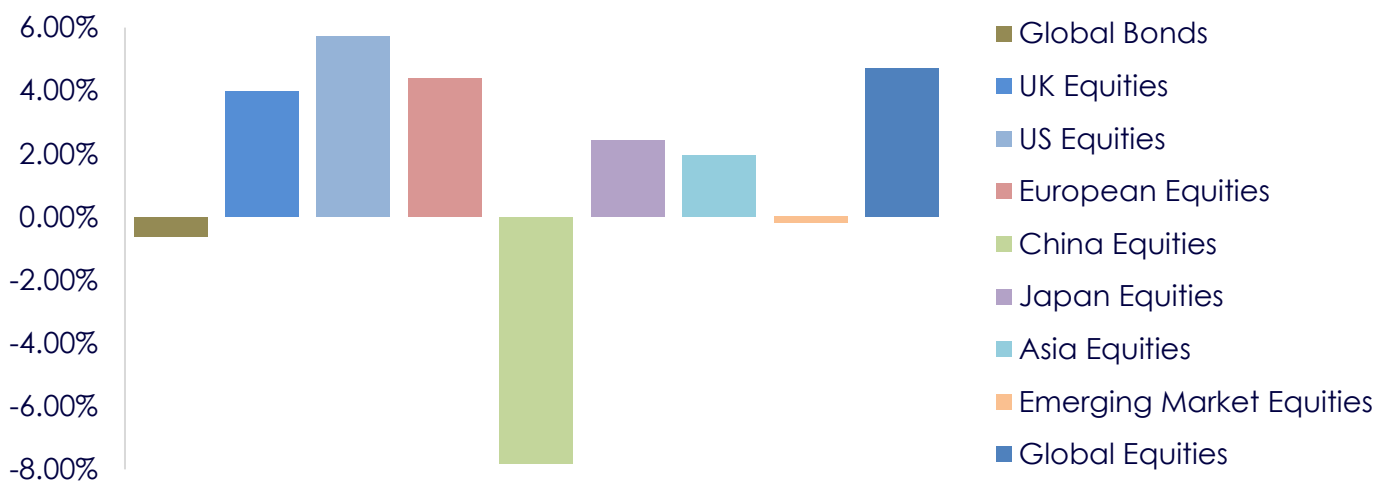
Retention Scheme through to September, which was announced as part of the Budget.

United States

S&P 500: 5.73%

With the passage of the \$1.9 trillion American Rescue Plan Act on 11 March, experts foresee US growth of between 7% and 7.5% for 2021. Economic activity will be supported by most Americans receiving \$1,400 stimulus cheques

Discrete Monthly Performance as at 31/03/2021



and the current pace of the Covid-19 vaccination programme.

The Fed left interest rates unchanged at 0%–0.25% and did not alter the current pace of its bond buying programme, which remains at \$120 billion per month. Interest rates are not expected to rise significantly until 2023 when it is projected that the target of stable prices and maximum employment is achieved.

US inflation rose by 0.3% in January. The fiscal stimulus package is only predicted to have a modest effect on the rate of inflation, albeit may cause short term price volatility. The US unemployment rate fell to 6.2% in February, with the addition of 379,000 jobs predominantly in the leisure and hospitality sector.

Europe

FTSE Developed Europe ex UK: 4.39%

The slower pace of Covid-19 vaccinations in Europe is impacting growth for 2021, which is expected to be around 5%, with it only

reaching pre-pandemic levels by Spring 2022.

The European Central Bank (ECB) left interest rates unaltered at -0.5% during its March meeting, but signalled a "significantly higher pace" of asset purchases under its Pandemic Emergency Purchase Programme (PEPP). Experts forecast that the ECB will increase its purchases from around €12 billion to around €20 billion per week and continue with this programme until at least the end of March 2022. Inflation rose by 0.9% in the euro area in February, albeit is projected to gradually rise toward 1.5% as the pace of economic recovery increases in the second half of 2021. Unemployment in the euro area was 8.1% in January, unchanged from December 2020.

China

CSI 300: -7.82%

Official data confirmed expert opinion that the regional lockdowns and travel restrictions during the Lunar New Year did not have a big

impact on the Chinese economy. Growth of around 9% is projected by analysts, which is higher than that set by Chinese policy makers of 6%.

Japan

MSCI Japan: 2.41%

Data confirmed that Japan's economy grew substantially during Q4 2020, increasing by 11.7%. However, this was not enough to offset an overall reduction in GDP during the year. Furthermore, growth continues to face a headwind as the impact of Covid-19 continues to hold back the recovery. Growth is expected to fall in Q1 2021, but then to improve during the year with a gradual return to pre-Covid 19 levels predicted.

Emerging Markets

MSCI Emerging Markets: -0.20%

Vaccine breakthroughs and rollouts in developed economies make analysts optimistic that emerging markets will grow by more than the 6% during 2021, with Emerging Asia growth above 8% leading the way, but

only 4% forecast in Latin America. Importantly, India appears to be making progress in its vaccination rollout effort.

Global Bonds

Bloomberg Barclays Global Agg: -0.62%

US government bond yields have had a wild ride year-to-date. The 10-year US Treasury sold off sharply during the first quarter of 2021. This dramatic move in rates ultimately led to the worst quarter for US government bonds since 1994. However, recent moves have been much less volatile.

With interest rates near historic lows, companies have had an economic incentive to take on higher levels of debt by issuing more corporate bonds. This has been driven, in part, by investor demand and has enabled companies to access long term finance at very low rates.

For bond prices to rise and yields to fall, we would need to see sustained negative news on the vaccine rollout, such as a major supply disruption, or possible new variants of Covid-19, neither of which is expected to be the case.

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 31/03/2021

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	-5.93	10.46	18.77	9.37
UK Equities	26.71	9.89	35.69	13.68
US Equities	39.80	59.18	115.18	13.29
European Equities	34.11	25.13	64.28	13.56
Japan Equities	25.58	22.18	71.40	12.12
Asia Equities	53.20	36.81	93.99	14.57
China Equities	36.00	34.93	79.65	16.46
Emerging Market Equities	42.34	22.74	84.15	14.56
Global Equities	38.43	45.97	94.98	12.58

Data source FE Analytics 31/03/2021. 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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