



THROGMORTON
PRIVATE CAPITAL

Monthly Market Update



February 2021

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January Market Commentary

“Vaccinations provide grounds for optimism. Experts are positive on markets, believing there is more room for stock markets to rise during 2021”

Social restrictions increased during January as COVID-19 cases surged. This weighed on the prospect for short term economic growth, especially in Europe.

With economic recovery reliant on the vaccination programme, supply problems and concerns about the efficacy of vaccines have reduced expectations of an increase in economic activity. However, progress in vaccinations provides grounds for optimism and experts are generally positive on markets and believe there is more room for stock markets to rise during 2021.

Developed market economies slowed during January, although the US remains the standout exception and with China's economy recovering to a higher than pre-crisis level of GDP. Furthermore, the International Monetary Fund revised its global growth projection for 2021 upward, expecting growth of 5.5%.

United Kingdom

FTSE All Share: -0.81%

Experts predict slower growth in Q1 and have cut their GDP forecasts, with a brief recession expected. However, as the UK vaccination programme gathers momentum and pressure on the NHS reduces, an



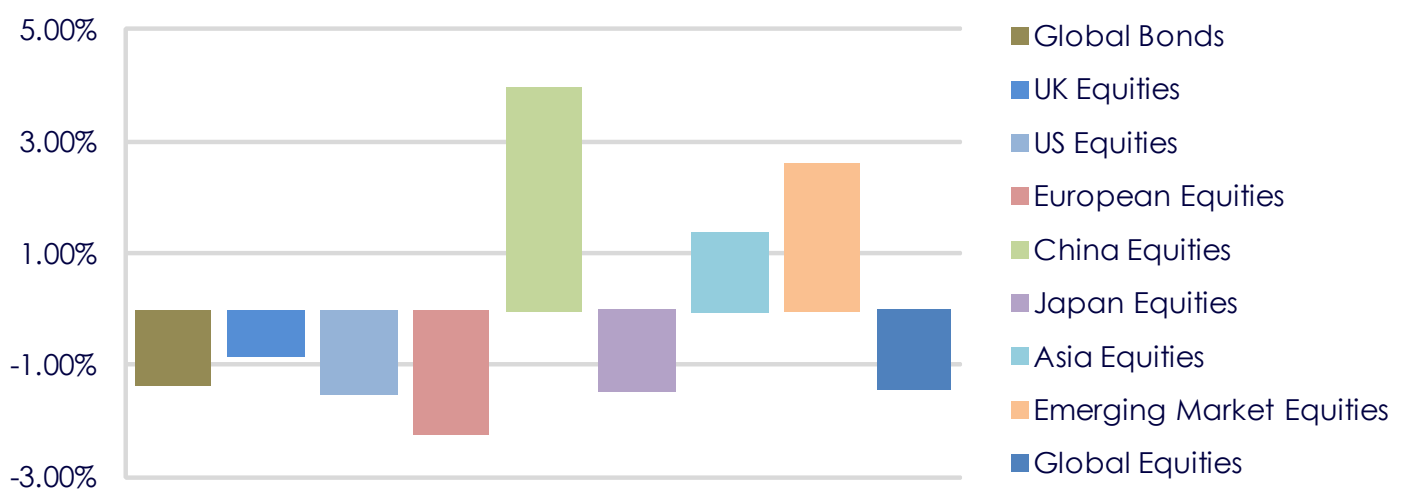
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easing of COVID-19 restrictions from the spring 2021 should lead to a recovery in output.

The Bank of England (BoE) maintained the base interest rate at 0.1% in December. Given the worsening outlook for short term growth and inflation, experts believe the BoE will accelerate its quantitative easing (QE) programme and keep it running until the end of 2021. Headline inflation in the UK rose to 0.6%

in December compared with a year earlier, up from 0.3% in November. The rate of consumer price inflation slowed during 2020, but expectations are for a gradual rise toward the BoE's 2% target during 2021. UK unemployment levels have risen for the last four months, up by 1.2% from a year earlier, to 4.9% by the end of October 2020. The UK and EU agreed a deal that guarantees tariffs and quota free trade will continue.

Discrete Monthly Performance as at 31/01/2021



United States

S&P 500: -1.49%

With recent daily vaccinations approaching 1 million in the US, the outlook for GDP growth is above 5% in 2021.

The US Federal Reserve (Fed) kept its interest rate (at 0%–0.25%) and its bond buying programme unchanged in December, saying that its accommodative stance would continue and that tapering of such asset purchases is a long way off. US inflation rose 0.4% in December, having risen by 0.2% in November. Some inflation volatility over the medium term is expected as economic activity resumes and comparisons with a weak 2020 temporarily push inflation above the Fed's 2% target. The unemployment rate in the US remained unchanged at 6.7% in December, while the economy lost jobs for the first time since April 2020. However, a prolonged period of job losses is not anticipated, with a return to job growth early in 2021.

Europe

FTSE Developed Europe ex UK: -2.19%

A surge in Covid-19 cases in the EU and the resulting restrictions on economic activity have led to lower GDP growth forecasts for 2021, with Germany likely to experience the biggest reduction. Nonetheless, analysts expect economic activity to accelerate at a faster pace in the second half of the year as the roll-out of vaccines enables restrictions to be lifted.

The European Central Bank (ECB) kept its main interest rate unchanged at -0.50% during January. The ECB expanded its Pandemic Emergency Purchase Programme by €500 billion to a total of €1.85 trillion and extended its term until at least the end of March 2022. The measures underline the ECB's commitment to support economic recovery by keeping monetary policy highly accommodative.

Inflation declined for a fifth straight month in December, coming in at -0.3% on an annual

basis, albeit inflation is expected to rise in the months ahead. Unemployment in the euro area fell to 8.3% in November, from 8.4% in October and up from 7.4% in November 2019.

China

CSI 300: 3.97%

The Chinese economy grew by 2.3% in 2020, the only major economy to register growth for the full year. Q4 GDP growth came in at 6.5% compared with Q4 2019, making China the first major economy to reach its pre-pandemic trend. Experts forecast China's economy to grow by around 9% in 2021 due to continued strong developed market demand for its export goods.

Japan

MSCI Japan: -1.45%

Japan appears to have managed the pandemic better than many developed countries. Equity prices are at their highest for 30 years and with expansionary fiscal and monetary policy, some experts are expecting a bumper year for the Japanese stock market.

Emerging Markets

MSCI Emerging Markets: 2.60%

Emerging market economic growth of around 6% is expected for 2021 as the effects of the pandemic and the vaccine progress, with emerging Asia forecast to grow by around 8%. Central Europe and the Middle East are expected to make the next best progress, with Latin America, which has been hardest hit by COVID-19, growing by only around 4%.

Global Bonds

Bloomberg Barclays Global Agg: -1.33%

On a year to date basis, developed market sovereign bonds have posted negative returns and emerging market debt has struggled. However, demand for corporate bonds has been strong as investors hunt for yield. US investment grade corporate bonds worth more than \$110 billion were issued in January, with issuers taking advantage of favourable financing conditions and very cheap debt.

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 31/01/2021

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	2.59	16.92	28.28	9.35
UK Equities	-7.55	-1.60	31.47	13.60
US Equities	11.95	41.84	112.03	13.18
European Equities	7.42	12.54	62.19	13.54
Japan Equities	10.30	16.95	68.74	12.12
Asia Equities	22.96	28.10	108.68	14.91
China Equities	40.53	35.39	113.94	16.40
Emerging Market Equities	22.77	17.92	108.00	15.02
Global Equities	10.83	31.55	93.37	12.53

Data source FE Analytics 31/01/2021. 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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