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# Monthly Market Update



## May 2021

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### April 2021 Market Commentary

“Supported by the vaccine rollouts, government policy and improving economic data, most equity markets have reached new record highs”

It has been more than a year since the World Health Organisation declared the spread of COVID-19 as a global pandemic. In the period since, tremendous efforts have been exerted in an attempt to stop the spread of the virus and protect people and economies. After the sharp falls in equity markets most indices have now reached new highs. The economic data continues to improve and global recovery is underway, being supported by the vaccine rollouts and accommodating monetary and fiscal policy.

#### **United Kingdom**

FTSE All Share: 4.29%

GDP rose by 0.4% in February after having declined by 2.2% in January. The strong Covid-19 vaccination response, which targets all adults being vaccinated by July, supports the prospects for economic recovery. The bulk of restrictions on activity are also set to be lifted by the end of Q2, with expectations for GDP growth of around 6% in 2021, reaching the pre-pandemic level within a year. Supportive measures within the Budget announcement included extensions to the furlough scheme, further business support loans and tax cuts.

At its March meeting, the Bank of England (BOE) maintained its interest rate at 0.1% and left its bond purchase target unchanged at



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£875 billion. Headline inflation rose by 0.4% in February, with the rate heading toward the BOE's 2% target. The unemployment rate was 5.0% in January, up 1.1% on the previous year. However, analysts expect employment to be supported by the extension of the Furlough Scheme until September.

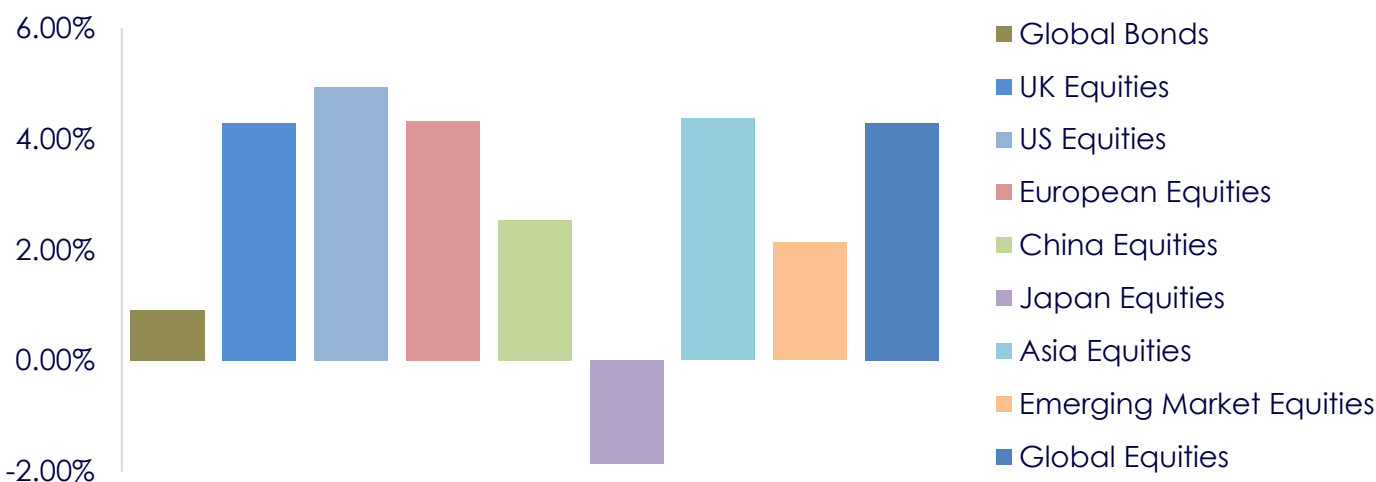
## United States

S&P 500: 4.94%.

Early data shows that the start of stimulus payment disbursements under the \$1.9 trillion American Rescue Plan Act of 2021 had a positive impact on GDP, which alongside the continued strong pace of vaccinations has led to analysts expecting growth in excess of 5% during Q1.

At its March meeting, the US Federal Reserve left its interest rate unchanged at 0%–0.25%

### Discrete Monthly Performance as at 30/04/2021



and its bond-buying programme at \$120 billion per month. Inflation rose by 0.6% in March which is the largest increase since August 2012. The unemployment rate fell to 6.0% in March as 916,000 jobs were created. Analysts forecast job gains to average more than 500,000 per month for the remainder of 2021.

## Europe

FTSE Developed Europe ex UK: 4.32%

An increase in Covid-19 case numbers in France, Germany and Italy in March has led governments to tighten restrictions, including a third national lockdown in France. That development, alongside the continued slow rollout of vaccines compared with other developed countries, has led experts to lower their forecasts for 2021 GDP growth in the euro area to around 4%. On a positive note, cases in France and Italy have since begun to decline. The European Central Bank left its interest rate unaltered at its March meeting, but signalled a "significantly higher pace" of asset purchases

under its Pandemic Emergency Purchase Programme. Inflation rose by 1.3% in March on an annual basis, with inflation forecast to surpass 2.0% in the second half of 2021. Unemployment remained steady at 8.3% in February having risen only modestly since before the pandemic, from 7.3% in February 2020.

## China

CSI 300: 2.54%

Initial data suggest that the impact of Covid-19 and the related restrictions in China were not as disruptive as initially feared, with analysts forecasting growth of 9% for 2021, supported by additional outbreaks being kept under control. However, with only about 10% of the population having been vaccinated, China will need to considerably increase its vaccine distribution programme to achieve its target of 40% of adults by June. It is predicted that the People's Bank of China is unlikely to increase its interest rate during 2021.

## Japan

MSCI Japan: -1.87%

The rate of Covid-19 infections in Japan remains markedly below most other countries. However, growth in the region is expected to be curtailed due to the persistent increase in cases and any acceleration in Japan's vaccination programme failing to materialise. These concerns culminated in the re-imposition of a state of emergency and 17 days of restrictions covering Tokyo and three other Japanese regions.

## Emerging Markets

MSCI Emerging Markets: 2.13%

Greater optimism around vaccination efforts and the strengthening US economy has led to analysts forecasting emerging markets will grow by more than the 6%. Asia is expected to lead the way, with growth above 8% as the region has been largely successful in managing the pandemic. However, Latin America is expected to lag, with growth of around 4%.

11 out of 14 central banks in emerging markets

have left interest rates unaltered, whilst three, Russia, Brazil and Turkey, have increased rates in response to their own domestic issues.

## Global Bonds

Bloomberg Barclays Global Agg: 0.91%

The sharp sell-off in US government bonds came to a halt in April, helped by comments from the US Federal Reserve (Fed). European bond yields rose and prices fell, due to rising growth and inflation expectations. With continued optimism over the economic recovery, corporate and emerging market bonds performed well as the US dollar weakened.

Echoing the previous month's comments, the Fed acknowledged improvements in the economy and a better outlook. However, it clearly downplayed any prospect of removing policy support and the US 10-year Treasury yield declined for the month.

**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 30/04/2021

	1 Year %	3 Years %	5 Years %	Volatility % <sup>2</sup>
Global Bonds	-5.30	11.23	20.55	9.37
UK Equities	25.95	7.68	39.92	13.78
US Equities	32.33	63.44	129.34	13.32
European Equities	33.95	25.63	71.28	13.64
Japan Equities	18.95	16.94	63.81	12.16
Asia Equities	45.66	38.56	106.09	14.57
China Equities	32.84	42.38	91.77	16.31
Emerging Market Equities	35.48	23.62	90.65	14.52
Global Equities	32.39	47.77	104.01	12.64

Data source FE Analytics 30/04/2021. 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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