



## Global Market Overview January 2021

2020 was certainly a very challenging year, and for investors it was a highly volatile one in stock markets. The global health crisis is not over – quite the opposite – but, encouragingly, economic data has continued to improve and investors are clearly choosing to look forward and through the current economic situation towards recovery. As a consequence, financial markets performed well during the fourth quarter of 2020, boosted by optimism over vaccines. Geopolitics are expected to have less of an impact in 2021, but deep divisions within the US electorate will require President-Elect Biden to demonstrate good leadership in his first 100 days in office. The fading of uncertainties around geopolitics (which include the UK's withdrawal deal with the EU) has helped to drive the markets higher. Equally, the improvement and recovery in asset values both continue to be supported by huge liquidity injections from global central banks.

In an effort to control the rising spread of Covid-19 there were further national and regional lockdowns over the autumn, and currently many parts of the northern hemisphere remain under a significant degree of restriction to normal daily life. These restrictions are expected to continue for some time yet, and especially during the colder winter months. Unsurprisingly, economic activity has been sorely dented, though some sectors of the global economy continue to recover and the very recent US manufacturing data is encouraging. It is clear that some parts of the global economy will endure severe difficulties, as well as elevated unemployment rates, until widespread vaccination is achieved. Against this background, the International Monetary Fund (IMF) is currently predicting global growth of 5.2% for 2021.

The Federal Reserve and other central banks have pledged to keep interest rates low for the foreseeable future, and we fully expect governments to persist with their much-needed rescue packages for industries and consumers. In the light of the Democrats taking control of the US Senate, it will now hopefully be easier for President-Elect Biden to enact his promised stimulus package and proposed infrastructure investment. We should also see more lenient global trade policies within a Biden administration.

Third quarter earnings from companies were mostly encouraging and analysts are expecting imminent fourth quarter results also to be supportive of current stock prices, though company guidance still remains muted. Following the very sharp drop in the price of oil earlier in the year, oil prices have continued their recovery over the autumn and they should also benefit from the recently agreed production cuts, announced by both OPEC and Russia. US equities performed well during the final quarter of 2020. Within the diverse US market, the technology sector continues to perform very well, but it is comforting to see that these returns have now broadened out and are not being dominated by the five 'FAANG' (Facebook, Apple, Amazon, Netflix and Google) stocks.

We have also seen strong returns from some other stock markets. In particular, emerging markets did well; these regions have historically benefited from a weaker dollar – which we are currently seeing – as well as from the economic activity usually experienced in the early stages of a new economic growth cycle. With a clearer path in sight for a global recovery, unloved sectors such as travel and transportation may present opportunities in 2021. Recently there has also been some shift in leadership towards deep cyclical sectors such as energy and materials. Economic activity within China also continues to recover, and China is expected to be one of the very few countries that will post positive economic growth for the full year of 2020.

Investor and consumer confidence will, however, be key drivers for the coming months in order to support any continued good performance in financial markets. The recent good news on therapies and vaccines, with several now approved by various global health authorities, has provided a route out of the pandemic. Better testing and tracing should also assist in the return to more normal conditions during the year. Manufacturing and logistical issues are, however, challenging, and virus mutations may present obstacles to overcome, and it will obviously take time for countries to achieve reasonable levels of inoculation. Consequently there remains a risk for bouts of volatility within stock markets this year, and, additionally, the current level of market valuations are vulnerable should earnings not meet with expectations.

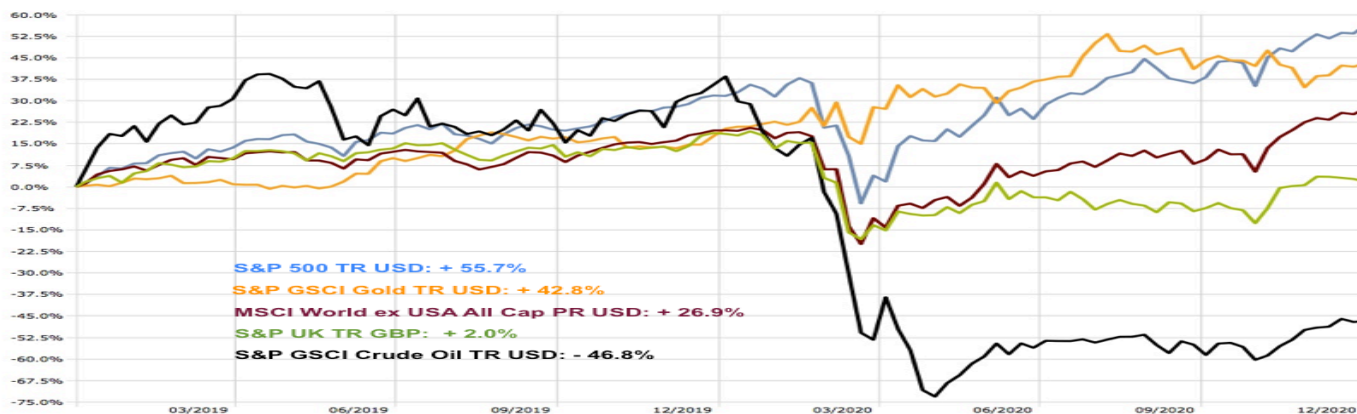


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## Two years to end December 2020 — percentage Total Return



## Index, Benchmark and Exchange Traded Fund — percentage growth to end December 2020

	Currency	Three Months	Six Months	One Year	Three Years
<b>Bonds</b>					
BBgBarc Global High Yield TR	GBP Hedged	6.55	9.98	4.19	10.61
BBgBarc Sterling Gilts TR	GBP	0.61	-0.70	8.88	17.25
ICE BofA Global Corporate TR	GBP Hedged	2.53	4.22	7.13	15.51
<b>US Equities</b>					
S&P 500 TR	GBP	6.06	10.42	14.74	47.31
S&P 500 TR	USD	12.15	22.16	18.40	48.85
NASDAQ 100 TR	USD	13.09	27.36	48.88	107.70
<b>UK Equities</b>					
iShares 100 UK Equity Index Acc	GBP	10.81	6.07	-11.66	-5.70
S&P UK TR GBP	GBP	10.99	5.67	-12.95	-6.69
iShares MSCI UK Small Cap ETF Acc	GBP	19.60	21.48	-5.45	3.27
<b>European Equities</b>					
iShares STOXX Europe 600 )	GBP	11.18	11.87	-1.59	11.85
MSCI AC Europe GR	Euro	10.54	10.93	-1.71	10.83
<b>Japanese Equities</b>					
Nikkei 225 Average TR	Yen	18.54	24.10	18.26	28.07
TOPIX 500 PR	Yen	11.90	16.29	5.62	0.51
<b>Asian, and Emerging Market Equities</b>					
Morningstar Asia GR	GBP	10.87	15.53	16.55	22.70
iShares Core MSCI Emerging Markets ETF	GBP	19.78	31.47	18.18	18.46
<b>Global Equities</b>					
MSCI World All Cap PR	Various	13.15	20.21	11.69	25.46
MSCI World ex USA All Cap PR	Various	11.03	13.00	-0.19	1.83
<b>Global Property, and Infrastructure</b>					
Morningstar Gbl Eq Infra GR	GBP	4.88	7.15	2.33	23.56
S&P Global Property TR	USD	12.48	15.76	-7.18	6.11
<b>Commodities</b>					
S&P GSCI Crude Oil TR	USD	18.38	18.77	-60.33	-57.70
S&P GSCI Gold Spot	USD	-0.02	5.25	24.42	44.74
<b>Asset Risk Consultants Indices</b>					
ARC Cautious PCI TR	GBP	3.72	5.02	4.42	8.73
ARC Balanced Asset PCI TR	GBP	5.93	7.67	4.84	11.17
ARC Steady Growth PCI TR	GBP	7.52	9.60	4.85	13.77
ARC Equity Risk PCI TR	GBP	8.90	11.40	5.21	16.12
ARC Cautious PCI TR	USD	4.74	7.34	7.33	13.69
ARC Balanced Asset PCI TR	USD	7.47	12.37	9.87	18.17
ARC Steady Growth PCI TR	USD	9.50	16.07	12.20	23.25
ARC Equity Risk PCI TR	USD	11.50	20.62	15.90	32.20

### Important Information

Source for graphs, economic and market data: Morningstar Direct. \*Asset Risk Consultants' data contains estimated numbers. TR is Total Return. PR is Price Return. GR is Gross Return. With investment, your capital is at risk. Opinions constitute our judgement as of this date and are subject to change without warning. The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your initial investment. Past performance is not a reliable indicator of future results and forecasts are not a reliable indicator of future performance. LAM accepts no responsibility for any direct, indirect, or consequential loss suffered by you or any other person as a result of your acting, or deciding not to act, in reliance upon any information contained in this document. The information in this document does not constitute advice or a recommendation and you should not make any investment decisions on the basis of it. If you do, however, require advice we would of course be happy to assist.