

APRIL 2021

Market and Portfolio Review

During the first month of Q2, headlines have been a complete mix of good, bad, and hysterical. The increase in COVID deaths and cases through the developing world have been tragic. And unfortunately, it's more than likely that the numbers in places such as India will get worse before they get better. At the end of April, India recorded over 360,000 confirmed daily cases and due to patchy data, the actual number is probably even higher.

Despite the "third wave" and "blood clot" headlines, vaccines remain the solution and are a huge reason to be positive. This time last year, we didn't even know if a vaccine would be possible to create – now look at where we are! The world is getting better at producing and distributing the vaccine. Less affluent countries are getting more access to vaccines, and more affluent countries are feeling the effects of widespread immunity.

Each country faces its own specific challenges, but if the UK can be used as an example of how well mass vaccination works, things will get better. In early January, the UK suffered over 68,000 cases and over 1,800 deaths in a single day. Fast-forward four months, and over 49 million vaccine doses have been administered; daily cases have fallen to around 2,000; and most importantly, daily deaths are dropping into single figures.

On top of the vaccine rollout, global economic stimulus continues to point to a strong and widespread economic recovery. In the US, Biden has committed to even more stimulus by introducing a more generous child tax credit, and there have even been rumours of a fourth stimulus check. Never in history has economic stimulus been so large, so direct and so coordinated – and we are far from seeing its full effect. People won't be able to spend their stimulus checks until everything is open as normal. Then it's party time.

It's hard to talk about this stimulus without also talking about inflation; everyone seems to have a view. The release of US consumer price data this month suggested that inflation might be a little higher

than it has been over the past few years. We think it's important to remember that the levels are not historically high by any stretch of the imagination, and such levels are extremely unlikely to harm growth. Many economists will tell you that that moderate levels of inflation such as these are actually beneficial to the economy.

Core Investment Views

Policymakers will stay supportive... The world has never seen as much coordinated stimulus as in the past year – and the impact is yet to come. We believe this sets the stage for a strong economic recovery across the world in 2021. The return to growth will occur at slightly different paces in different places – much of Asia is already back on track, the US should have a vibrant start to the year, with Europe finishing strongly. As the recovery continues, and turns into an expansion, we want to be exposed to it.

The post-COVID consumer will make up for lost time... Vaccination rollouts make the end of lockdowns real, and people are making big plans. Through a combination of savings, government support and job growth, consumers have never had more firepower following a crisis.

Our portfolios are positioned for the new economic cycle... We think that the new cycle will require new leaders. Large US technology companies will still be crucial as part of the growth cycle, but other regions and industries are now better positioned to benefit, as economies re-open and consumers are desperate to spend. We think that smaller, more nimble businesses can ride the wave best.

Inflation won't derail growth or portfolios... As the economy reopens, there are fears that price pressures will spread through the economy – not enough hairdressers, restaurant tables and plane seats to meet the pent-up demand. The reality is people adjust if prices rise – they buy clippers, get a Deliveroo or go on a staycation instead. We expect price increases to be temporary rather than sustained, but our portfolios are prepared nonetheless.

The value of investments can go down as well as up and you may get back less than you originally invested. Any reference to specific instruments within this article does not constitute an investment recommendation.

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