HYMANS # ROBERTSON

Flash stats

Q4 2020

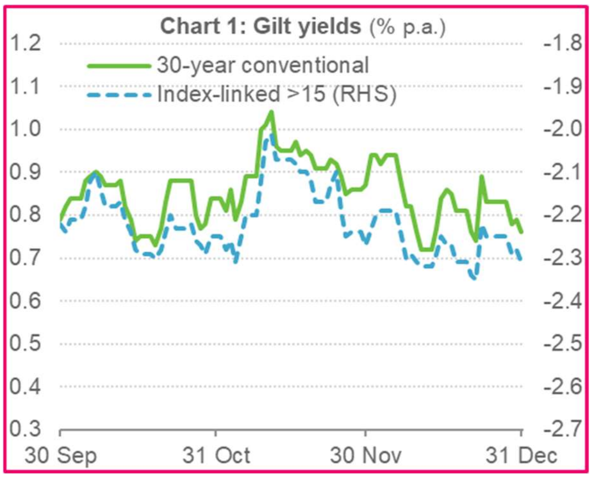
Peter Challis

Announcements of effective vaccines allowed companies and markets to put near-term economic weakness in the context of a potential end to the pandemic in 2021. Global equity markets, oil and industrial metals prices rose in concert with US treasury yields in the fourth quarter.

Sterling returns (%) to 31 December 2020

		3 mths	12 mths			3 mths	12 mths
EQUITY INDICES				**STERLING BOND INDICES**			
Global	*FTSE All-World*	8.5	13.0	Gilts (All)	*FTSE*	0.6	8.3
UK	*FTSE 100*	10.9	-11.5	Index-linked (All)	*FTSE*	1.2	11.0
	FTSE All-Share	12.6	-9.8	Corporates (All)	*iBoxx*	4.0	8.6
US	*S&P 500*	6.1	14.7	**MODEL PORTFOLIOS**			
Japan	*TOPIX*	7.5	9.5	70% equity		8.0	5.0
Europe ex UK	*FTSE Dev Europe*	9.1	8.9	50% equity		6.5	6.0
Emerging	*FTSE Emerging*	11.2	11.9	30% equity		4.9	7.0

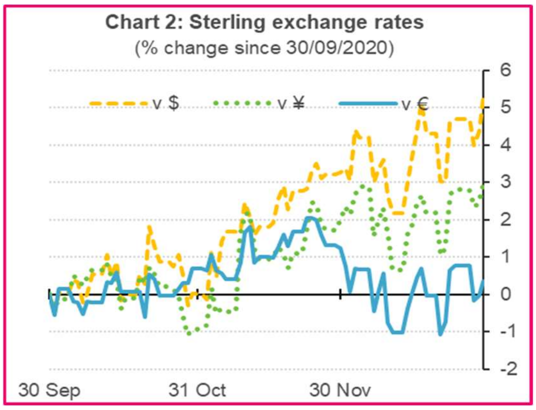
- Q3 GDP releases show the initial rebound in activity was sharp as the major advanced economies emerged from lockdown: the US, eurozone, UK and Japanese economies grew 7.4%, 12.6%, 15.5%, and 5% respectively, over the quarter. Even so, annualised falls in output have been significant.
- Eurozone and UK composite PMIs have fallen but the global equivalent remains at a level signalling expansion, supported by solid readings in the US, China and elsewhere.
- UK headline inflation slowed more than expected falling from 0.7% in October to 0.3% year-on-year in November as restrictions to curb the spread of coronavirus were re-imposed.



- Though COVID-19 cases continue to rise at a global level, it appears increasingly likely that many advanced economies could vaccinate a large proportion of their most vulnerable citizens early in Q1 2021.

- Despite hopes of economic recovery in 2021, government bond yields rose only modestly in the US and fell in the UK and Germany due to near-term economic weakness and central bank intervention. Implied inflation rose at longer terms (Chart 1) despite the government's announcement that RPI will be aligned with CPIH from 2030.

- Global investment grade credit spreads fell from 1.4% p.a. to 1.0% p.a. and global speculative-grade spreads fell 1.5% p.a. from 5.6% p.a. to 4.1% p.a., as lower rated credit outperformed higher quality.



- Sterling was volatile as Brexit talks approached their conclusion, although it ended the period 1.5% higher in trade-weighted terms as the EU and UK reached a trade deal. In comparison, on a trade-weighted basis the US Dollar and Japanese Yen, both typically considered safe-haven currencies, fell 4.3% and 1.2% below end-September levels.

- After falling in October amid renewed restrictions to curb rapidly rising COVID-19 cases, positive vaccine news propelled equity markets higher, with the FTSE All World returning 12.9% in Q4. This news also caused some moderate rotation within global equities as areas of the market most impacted negativley by the pandemic outperformed. This was evident in the outperformance of cyclical sectors such as oil & gas, financials and materials and interconnectedly, styles such as value and smaller capitalisation stocks. Defensive areas such Healthcare, Utilities and Telecoms all underperformed.

- Emerging market equities and Asia ex-Japan also outperformed, both benefiting from renewed hopes of a cyclical recovery, a falling dollar and increasing global trade activity.

- The rolling 12-month performance of the MSCI UK Monthly Property Index continues to fall and is now -1.9% to the end of November. Capital values, in aggregate, have fallen 7.1% in the year to November, predominantly due to a 17.9% fall in the retail sector, where capital values continue to decline sharply.