

Alan Boswell Financial Planners

Market Update - May 2021

By the end of April, more than 20% of the UK's population was fully vaccinated against COVID-19 and the country's daily infection rate dropped to the lowest levels since last August. Emerging-market countries will likely lag developed nations in reopening their economies due to vaccination-distribution challenges; but they are expected to benefit from the upswing in developed-market consumer demand.

Capital markets posted strong performance across asset classes in April. Once again, equities raced ahead around most of the world, with developed markets leading emerging markets. US shares were the top-performing major market, followed by Europe, the UK, Hong Kong, and then mainland China. Japanese shares declined for the month.

Government-bond rates underwent varying changes across different regions during April. In the UK, rates moved higher for gilts with maturities of less than 13 years and lower for gilts of more than 13 years—resulting in a flatter yield curve. Eurozone government-bond rates increased across all maturities; long-term rates rose by more than short-term rates, leading to a steeper curve. US Treasury rates were mixed across short-term maturities, while intermediate- and long-term rates fell, creating a flatter curve.

Non-essential retail businesses reopened in England on 12 April in keeping with the second stage of the country's four-part reopening plan. Restaurants and pubs were still limited to outdoor seating, but they were no longer bound to curfews. Since 17 May, restaurants and pubs have been allowed to provide indoor service.

The US began April in the midst of a mild increase in new COVID-19 cases, but returned to the March low by the middle of the month. President Joe Biden's administration announced in mid-April that all adults in the US are eligible for vaccination; by the end of the month, about 30% of the US population was fully vaccinated.

Investors are anticipating the return to a more normal world. This was reflected in the rapid rise in bond yields during the first quarter, the most important change in the financial environment so far this year. While value-oriented shares have been making a comeback against growth in the US, other countries' equity markets are making a comeback against the US.

As spring arrives and lockdowns end in the UK on the back of successful vaccination efforts, it is likely the country will experience a strong recovery in consumer demand and business activity that outpaces the rest of Europe.

Please note the following:

All investments involve different degrees of risk. Please remember that past performance is not a guide to future performance. The value of units and shares and the income from them can go down as well as up and investors might not get back the amount originally invested. Exchange rates may cause the value of overseas investments to rise or fall.

Where we have expressed views and opinions, these may change over time. None of the information mentioned in this document represents a specific portfolio or holding nor constitutes a recommendation to buy or sell.

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