

MARKET UPDATE

September 2021

August can be a turbulent month, historically, and this one was no different. While choppy, all models saw a positive month for portfolio returns; in fact, the S&P 500 closed at record highs a total of 12 times – more than any other August in history. This makes us a little twitchy, and we are pleased we took a bit of risk off the table this summer.

DELTA WORRIES

The Delta variant of Covid remains a concern, and supply chains are under strain, as can be seen from gaps in supermarket shelves or reduced food and drink menus when out and about, contributing to inflation. It remains to be seen if inflation drops back down and growth picks up again as these pressures and distortions ease. The impact of measures to contain the spread of Covid in Asia makes it hard to judge the point at which global supply-chain bottlenecks are resolved.

Meanwhile, other places are learning to live with Covid as can be seen from Euro-zone indicators which are showing strong mobility, back to pre pandemic levels. It remains difficult to estimate the economic impact of gyrations in global Covid case numbers, and there are clearly uncertainties about how Delta will influence activity, as can be seen by the release date of several block-bluster films being delayed again.

TAPER IS COMING

Monetary stimulus is still in plentiful supply for now, but some of the central bank signals are more mixed as policy makers tread a careful line between ensuring the recovery doesn't stall and remaining vigilant on inflation. The US Federal Reserve's annual economic symposium met from a virtual Jackson Hole and said it was closer to reducing stimulus- but was in no rush. This was well received by the market. Chairman Powell also emphasised that the time line for tapering is separate to that for rate increases.

GO EAST FOR YIELD

Sustainable yield is still in short supply but there are pockets that can be discovered. We have looked to China as their bonds display low volatility, deepening liquidity and an attractive yield of 2.9%. Plus, the recent shift by the PBOC also supports the fixed income market. China has

taken many steps to give investors more confidence to invest in the country's capital markets, including improving corporate governance and better disclosures. Some widening of regulations coming through have rattled equities, but this will bring greater stability in the longer term. The country's leaders also seem to understand that transforming the world's second-largest economy from one dependent on highly polluting heavy industry to one focused on clean energy, services and innovation is essential, not only to the future of the planet, but to China's own prosperity – "common prosperity". This need for change was also echoed in the August report from the IPCC (Intergovernmental Panel on Climate Change) who published their scientific findings of climate change including the following quote taken from the IPCC's Summary for Policymakers: "Many changes due to past and future greenhouse gas emissions are irreversible for centuries to millennia, especially changes in the ocean, ice sheets and global sea level".

We have seen very strong portfolio returns so far this year and, while they might take a pause this Autumn, as August's economic data appeared to confirm that the easiest part of the reopening is now behind us, we continue to do our best to cast the investment opportunity net far and wide. rld is continually changing, evolving and in many cases improving.



INVESTMENTS ARE INTENDED FOR THE LONG TERM. THEIR VALUE IS NOT GUARANTEED AND MAY GO DOWN AS WELL AS UP. THE VALUE OF INTERNATIONAL HOLDINGS MAY ALSO BE AFFECTED BY THE FLUCTUATION IN THE VALUE OF STERLING AGAINST OTHER CURRENCIES. PAST PERFORMANCE IS NO GUIDE TO FUTURE RETURNS. THIS DOCUMENT SHOULD NOT BE CONSTRUED AS AN OFFER DOCUMENT OR SOLICITATION AND IS CIRCULATED BECAUSE THE CONTENTS MAY BE OF INCIDENTAL INTEREST. THE OPINIONS STATED ARE THOSE OF BECKETT ASSET MANAGEMENT LTD, WHICH IS AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY.