

Six Minute Strategy

Can the rally continue?

January 2021

If you are a private investor, you should not act or rely on this document but should contact your professional advisor.

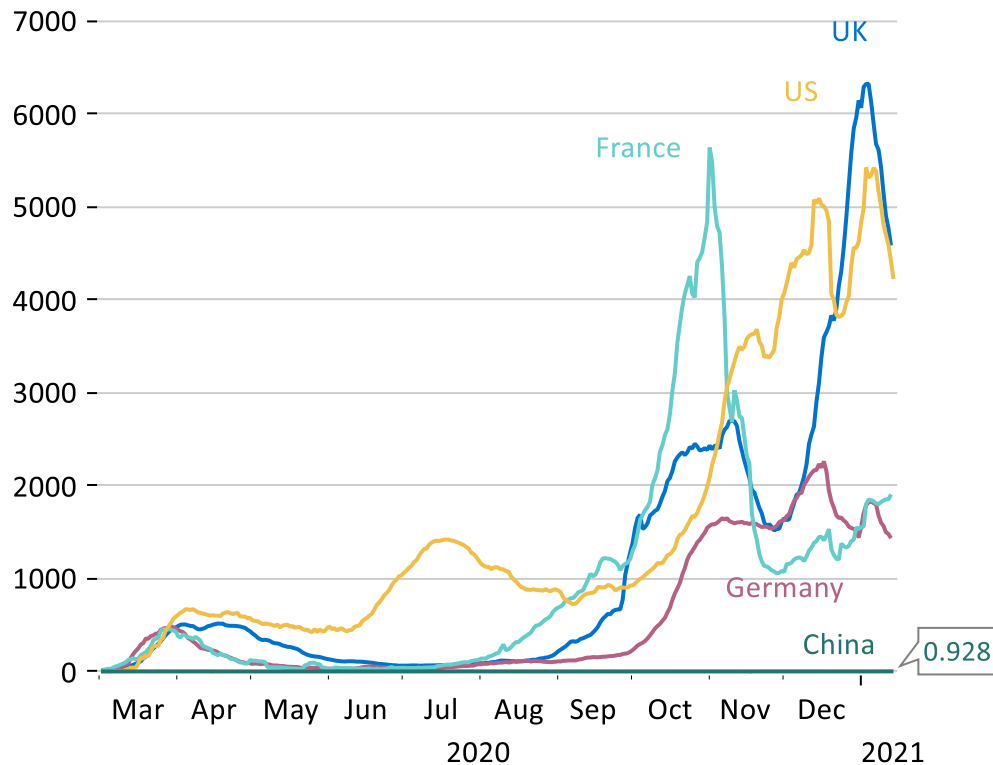


So why are markets rallying in the face of rising infections and tightening lockdowns?



Some signs of a peak in UK and US infections

Weekly Confirmed Cases (per 1mn people)

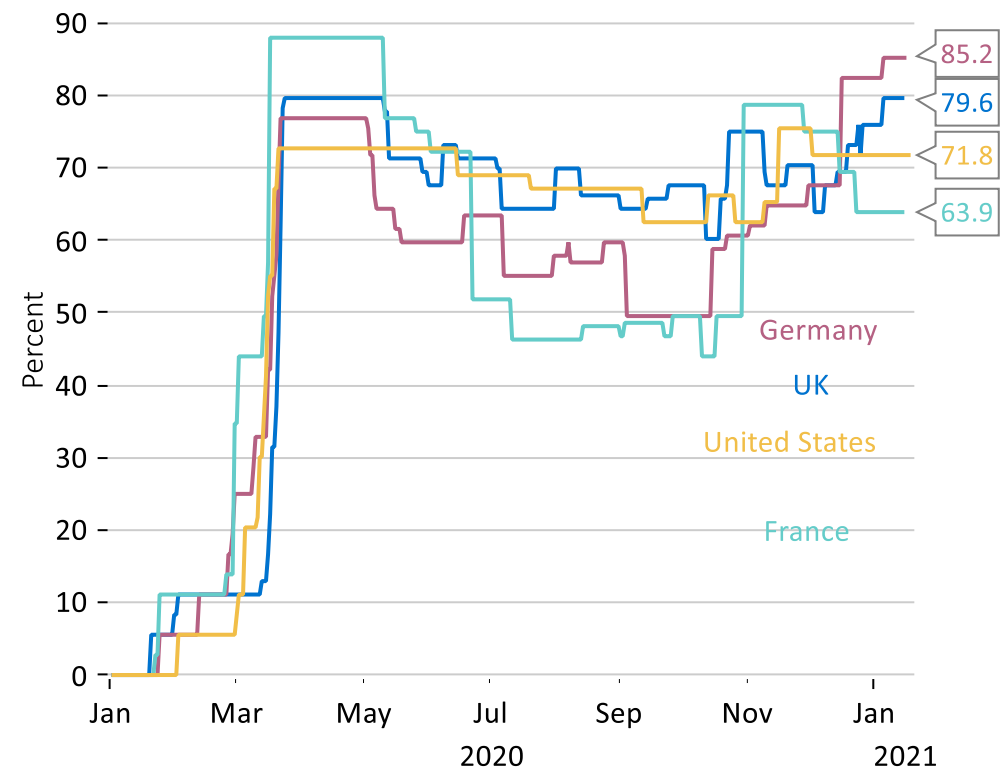


Source: Macrobond, 22.01.21



Lockdown tightening in Europe to spring-2020 levels

COVID-19 Global Stringency Index



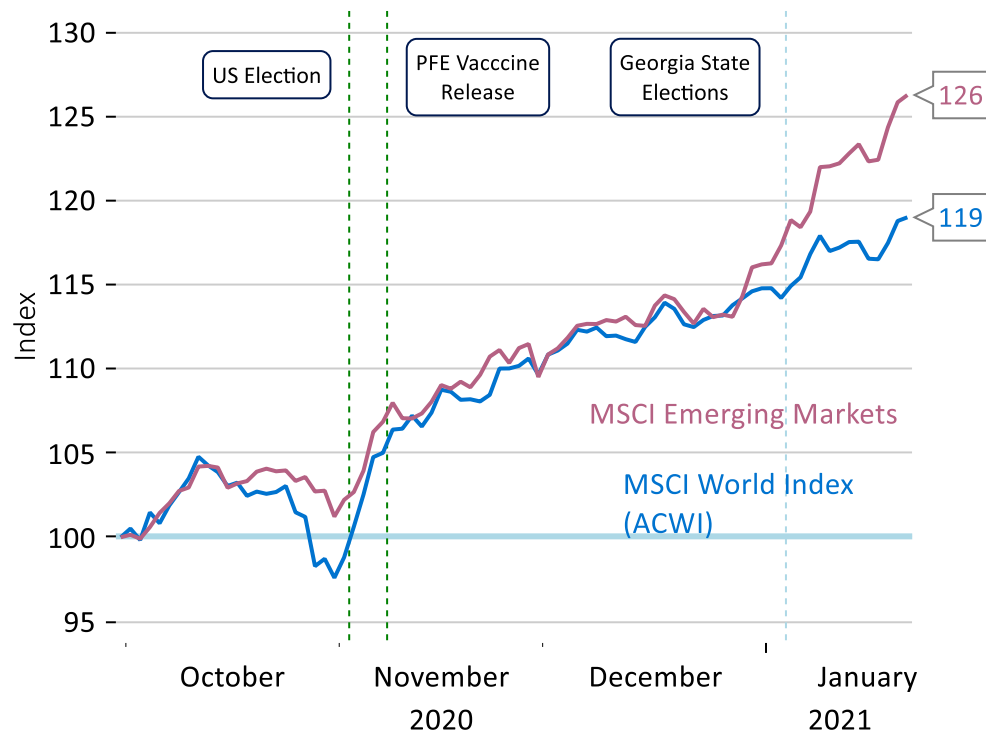
Source: Macrobond, 22.01.21

1. Markets scent a robust recovery as vaccine roll-out begins



Reflationary rally in global equities

Global Equity Returns Q4 2020 to date
(30/09/2020=100)

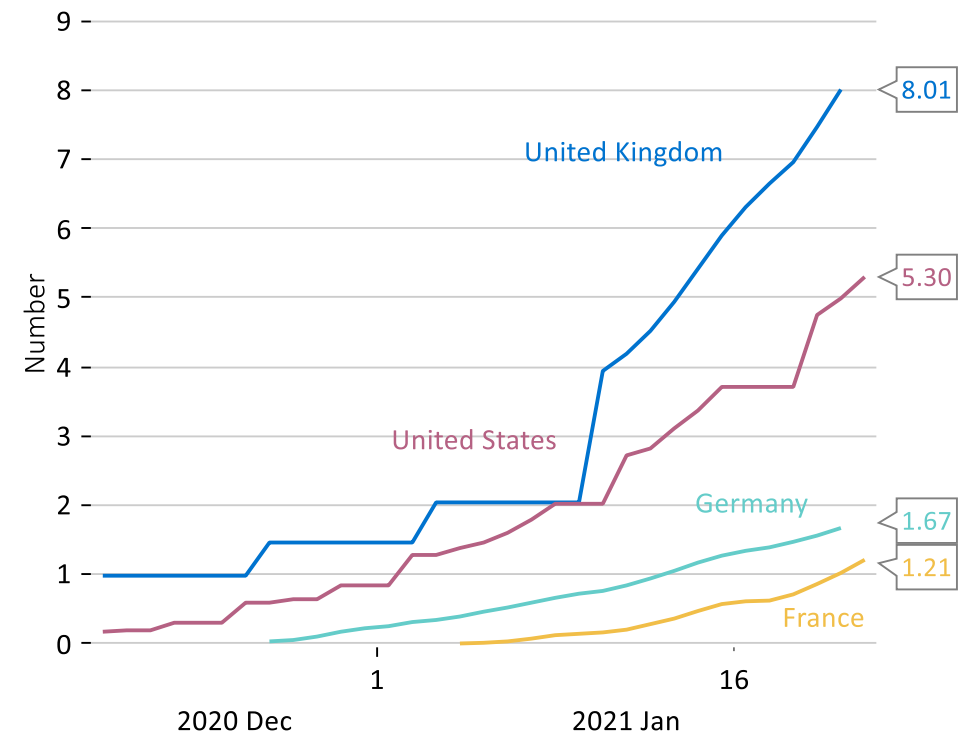


Source: Macrobond, 22.01.21



Virus deployment accelerates led by UK

COVID-19 Vaccination Doses Administered per 100 People



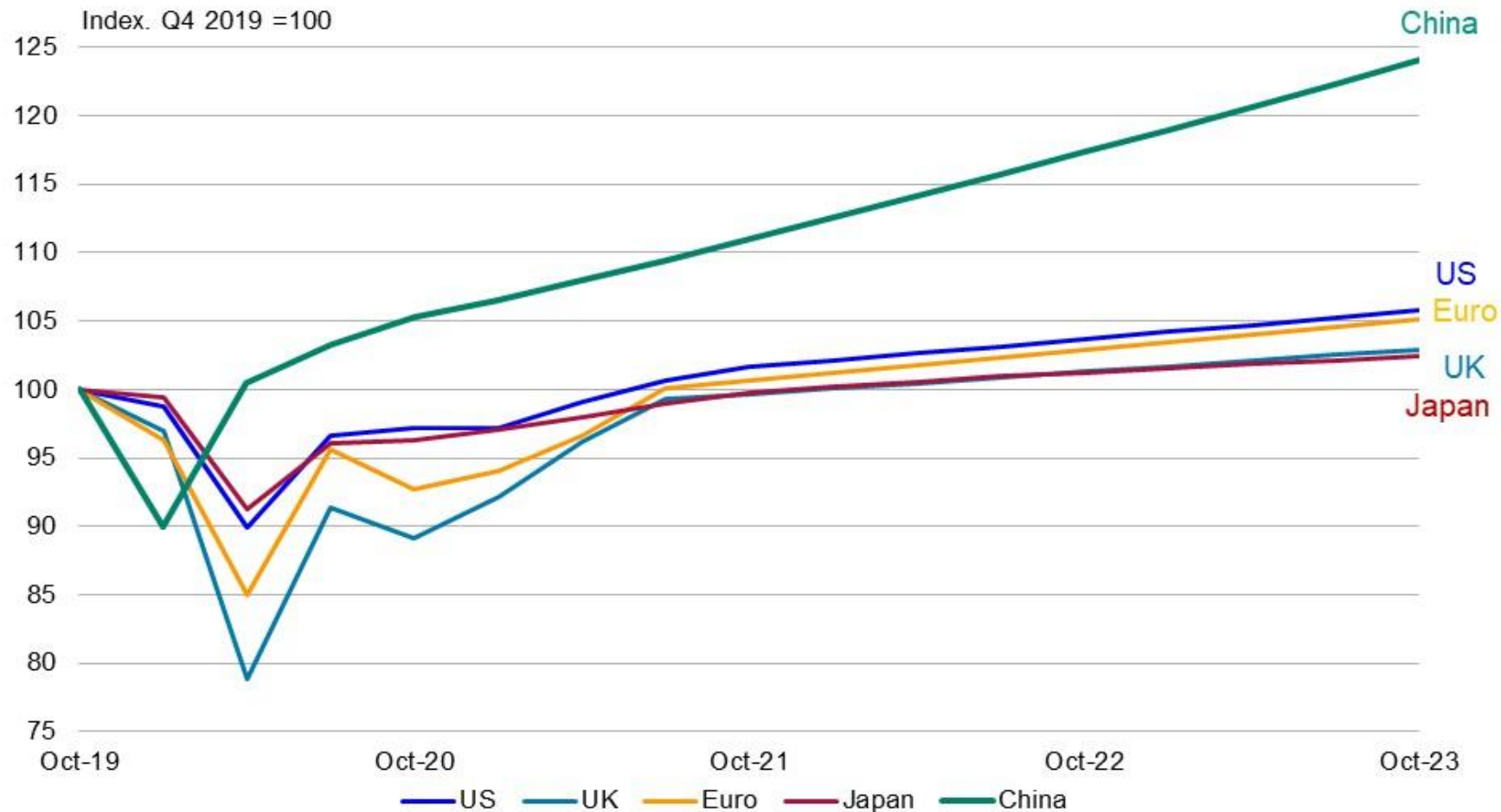
Source: Macrobond, 22.01.21

2. Global Growth outlook

On average countries will take 2-3 years to heal - China completed this process in just 1 quarter



Global growth projections - an uneven recovery across regions



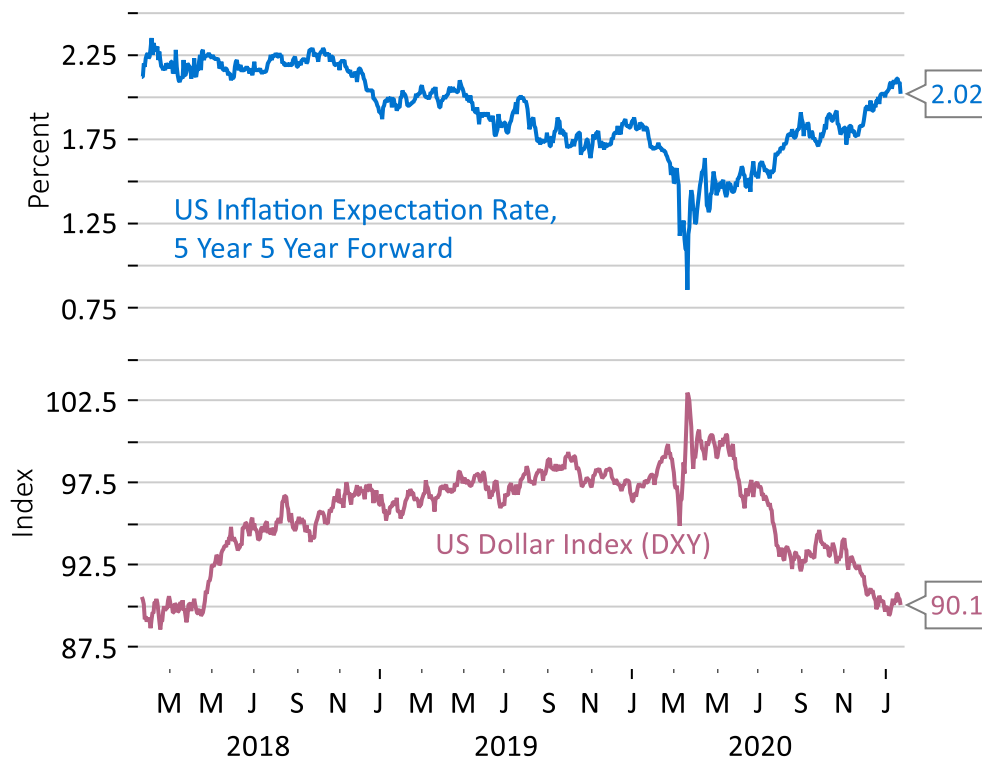
Source: Sarasin & Marcobond, December 2020

3. The Biden agenda is helping lift reflation indicators...



US inflation expectations recovering - dollar trending lower

Inflation Expectations & the Dollar

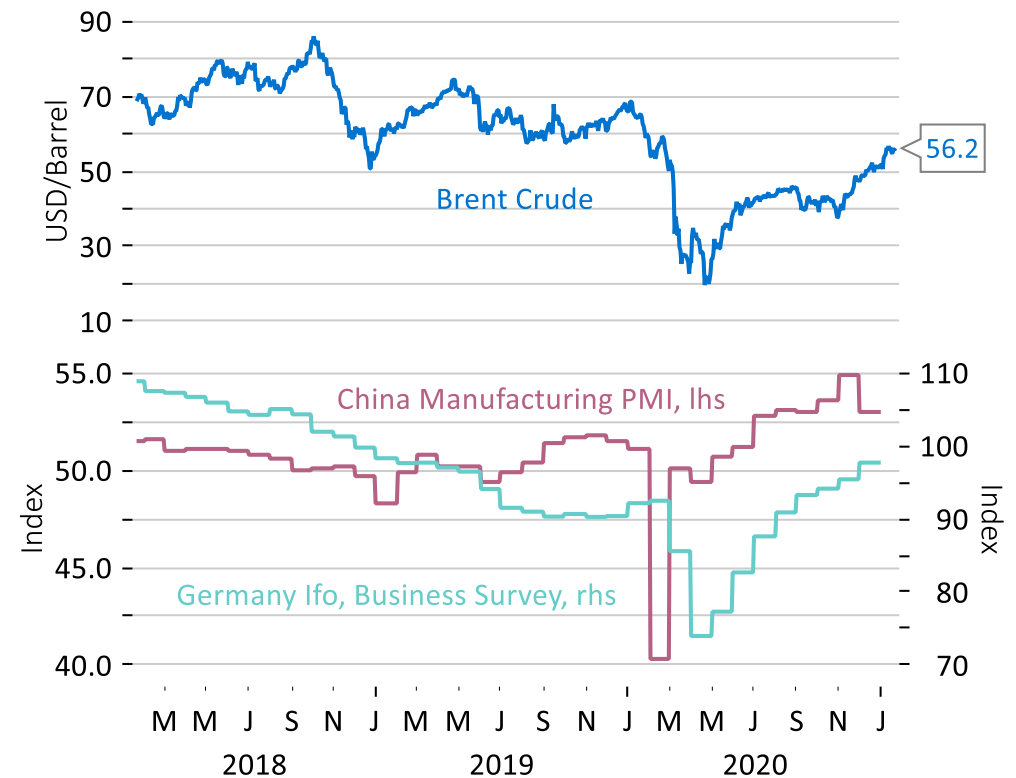


Source: Macrobond, 22.01.21



Oil rally continues – industrial surveys improve

Brent Crude and German Business Sentiment



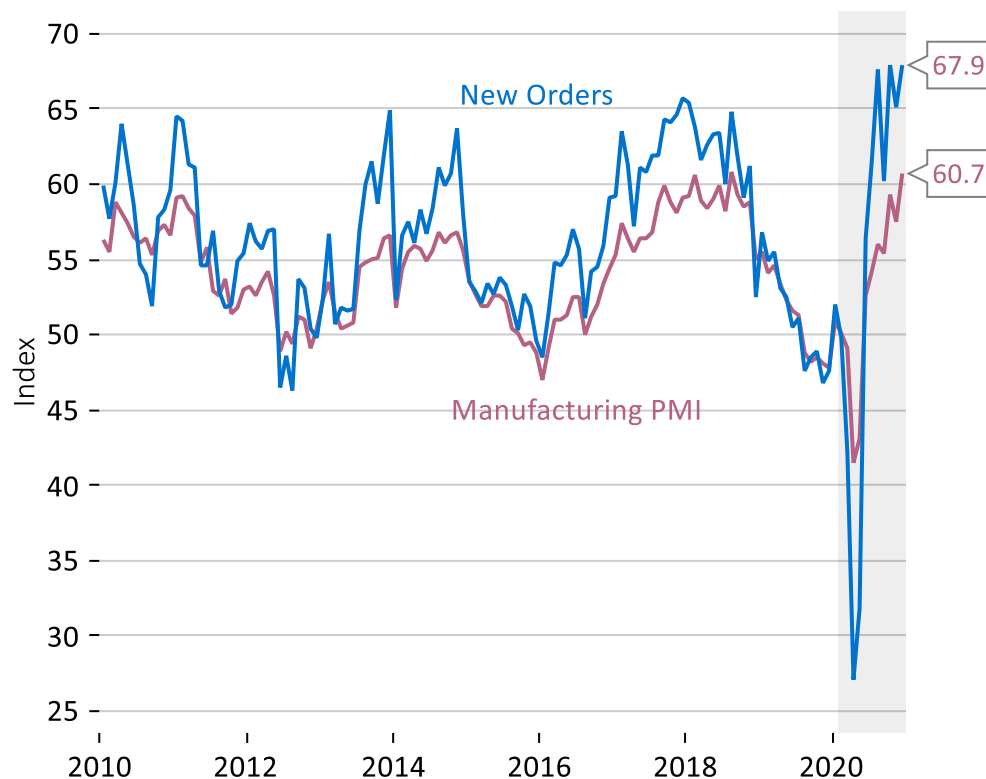
Source: Macrobond, 22.01.21

4. Post-COVID economy favours manufacturing and green investment



Strong surge in US manufacturing

US - ISM Manufacturing

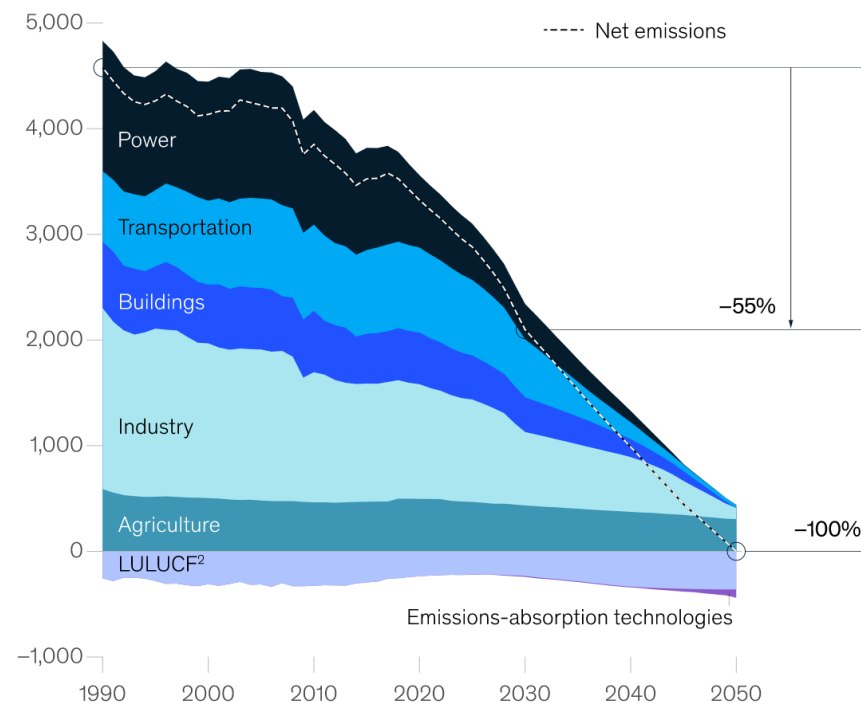


Source: Macrobond, 22.01.21



Net zero for EU requires c.\$25 Trillion of investment by 2050*

Total emissions per sector in cost-optimal pathway for EU-27,¹ megatons of carbon



¹Excluding international aviation and shipping.

²Land use, land-use change, and forestry entails all forms in which atmospheric CO₂ can be captured or released as carbon in veget in terrestrial ecosystems.

Source: UNFCCC; McKinsey analysis

McKinsey
& Company

January 2020

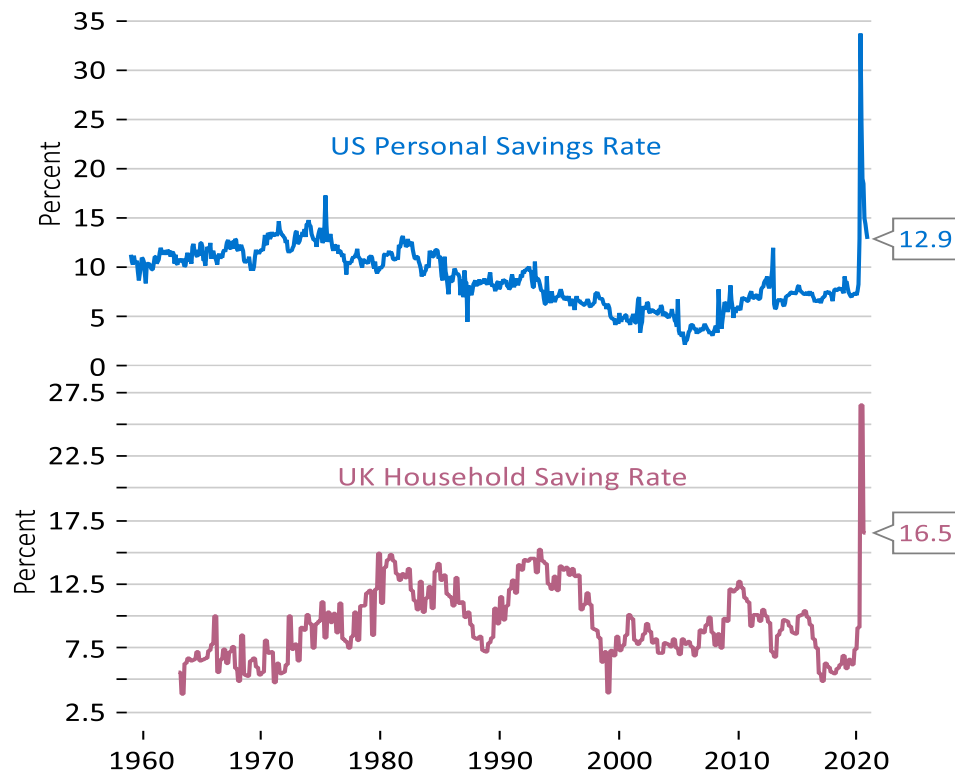
5. Liquidity

Saving rates & money market funds still support retail investment flows



Personal savings rates soar under lockdown

Personal Saving Rates

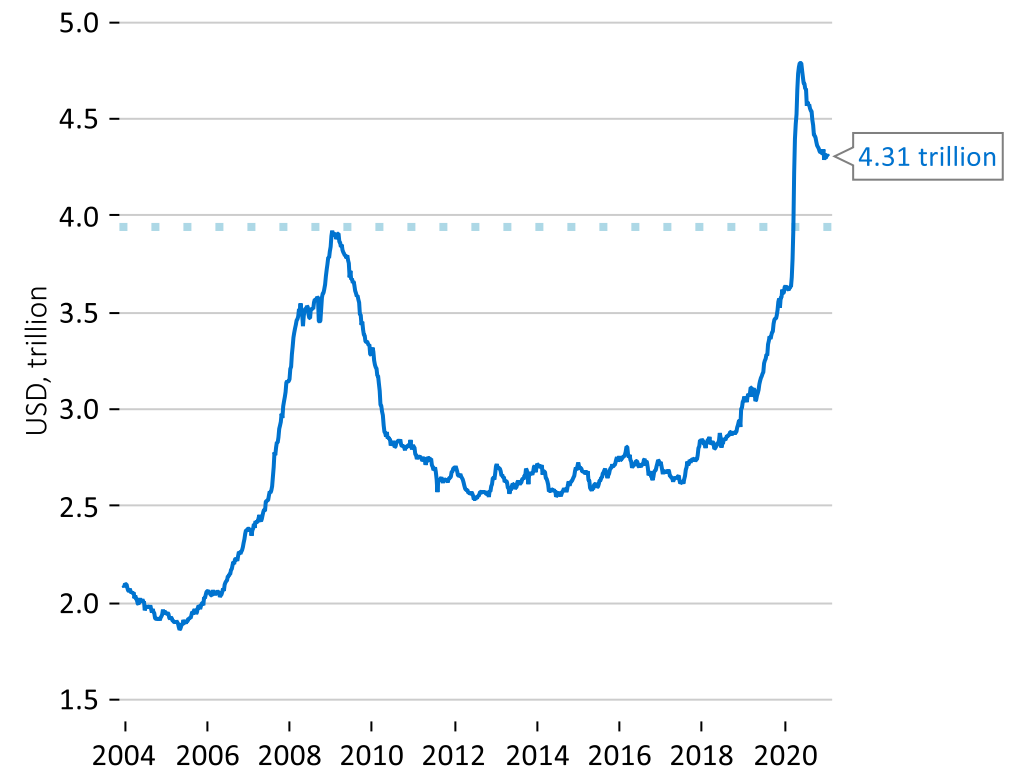


Source: Macrobond, 22.01.21



Volume of US Money Market Funds soars

US Total Money Market Fund Assets, USD



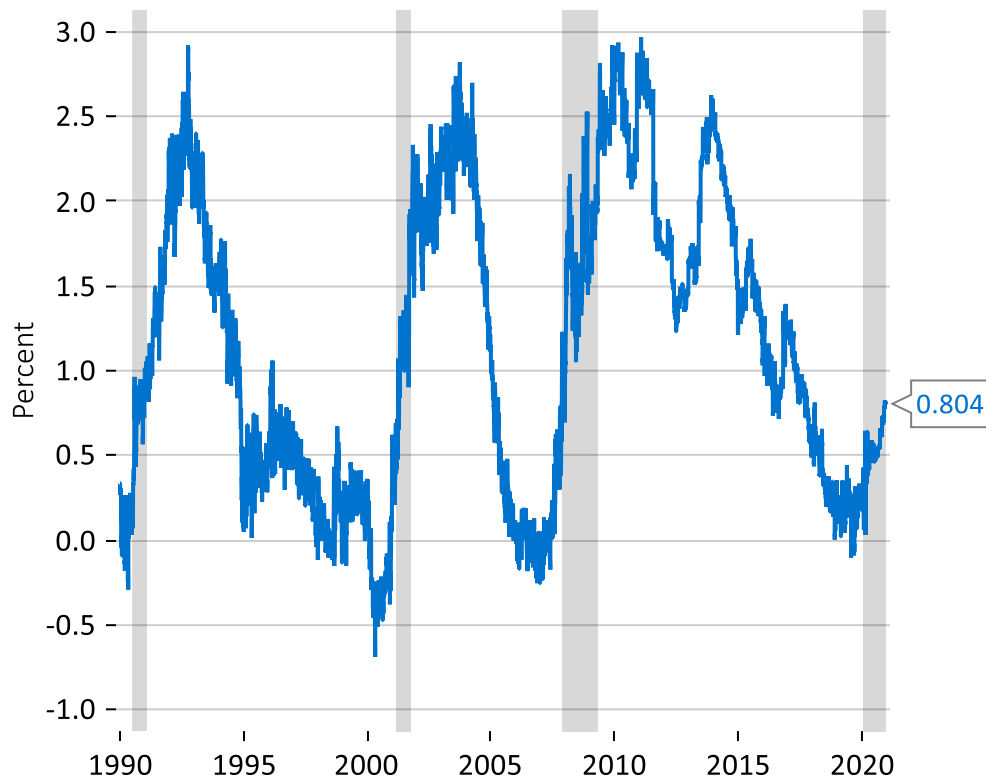
Source: Macrobond, 22.01.21

6. Bond yields don't *yet* threaten equity valuations



Yield curves typically steepens post recession

US 10-2 Yr T-Bond Yield (US recession shaded)

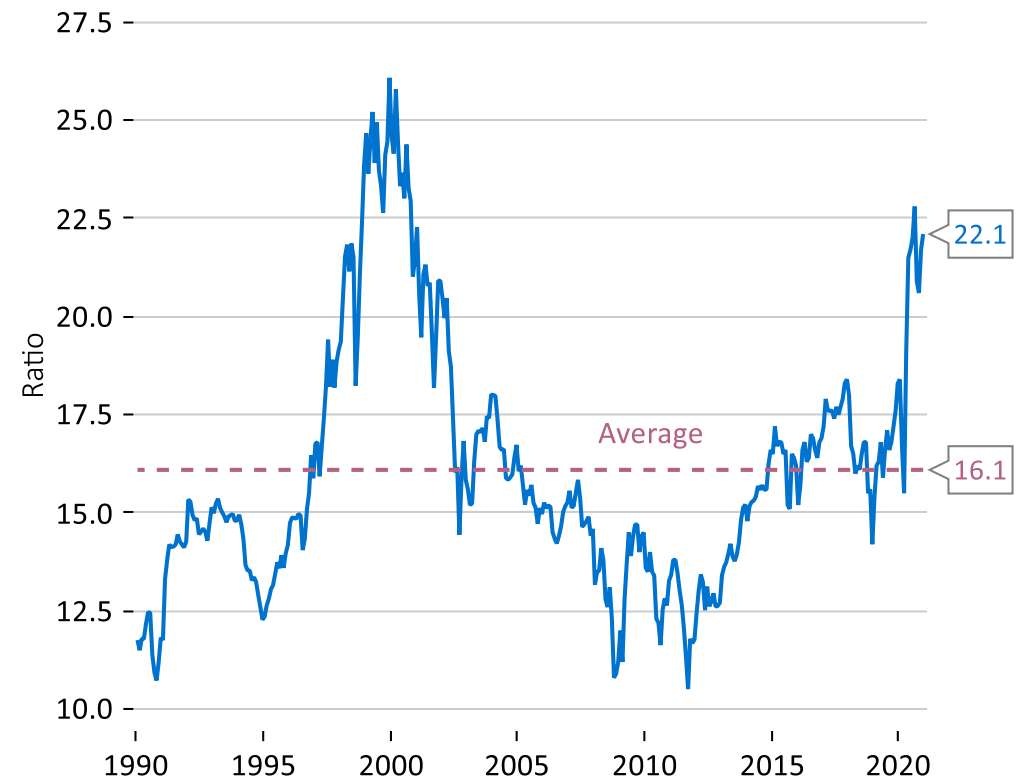


Source: Macrobond, 22.01.21



2020 market performance driven by multiple expansion

S&P 500 12 Month Forward P/E



Source: Macrobond, 22.01.21

Important information

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