

Six Minute Strategy

A most exceptional recovery

1 April 2021

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



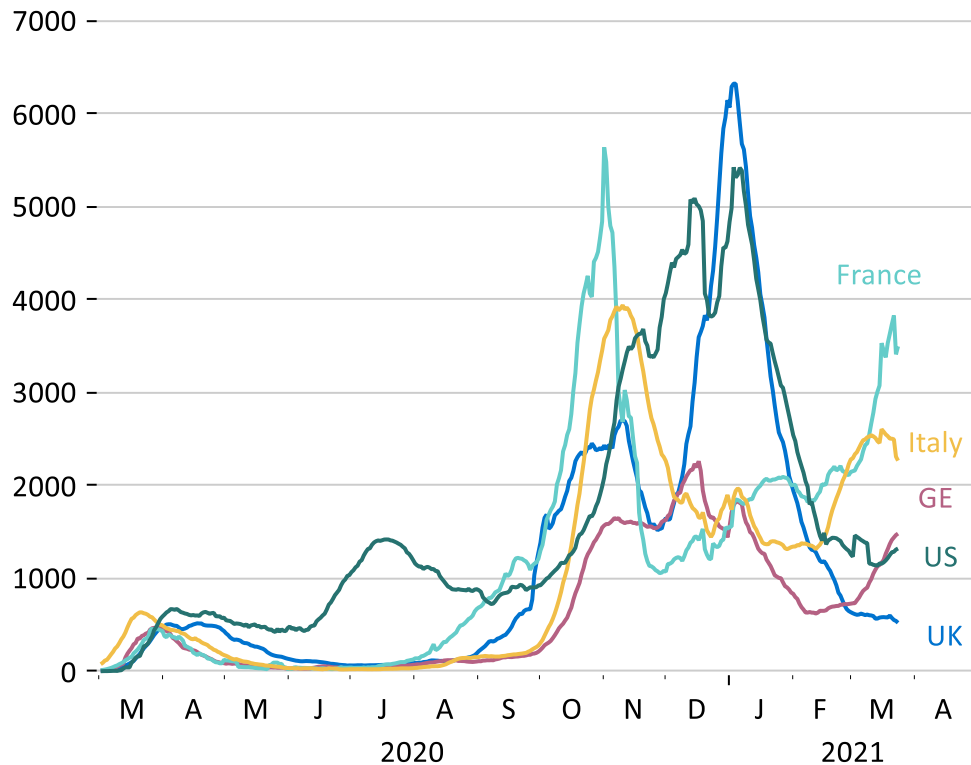
COVID update

UK and US confirmed cases fall – lockdowns in Europe tighten



UK and US cases markedly lower – Italy, France rising

Weekly Confirmed Cases (per 1mn people)

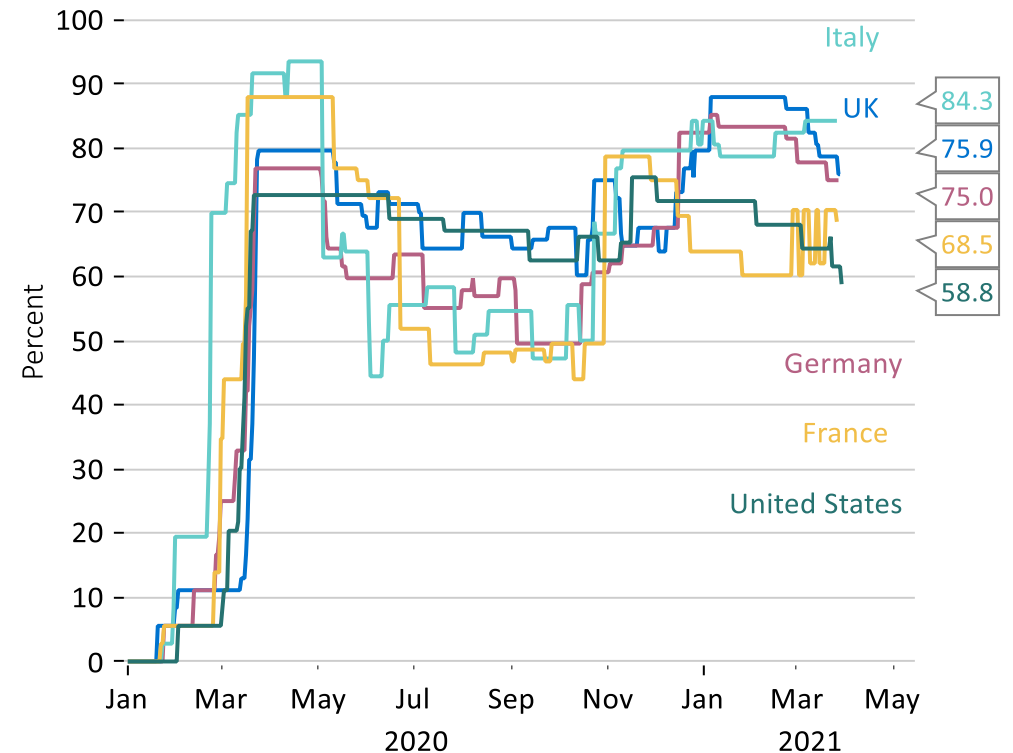


Source: Macrobond, 01.04.21



Lockdown in Europe remains close to March 2020 levels

COVID-19 Global Stringency Index



Source: Macrobond, 01.04.21

Global economic outlook

Upward revision to global growth on the back of US stimulus, adaptation and vaccinations



GDP growth forecasts, annual average %

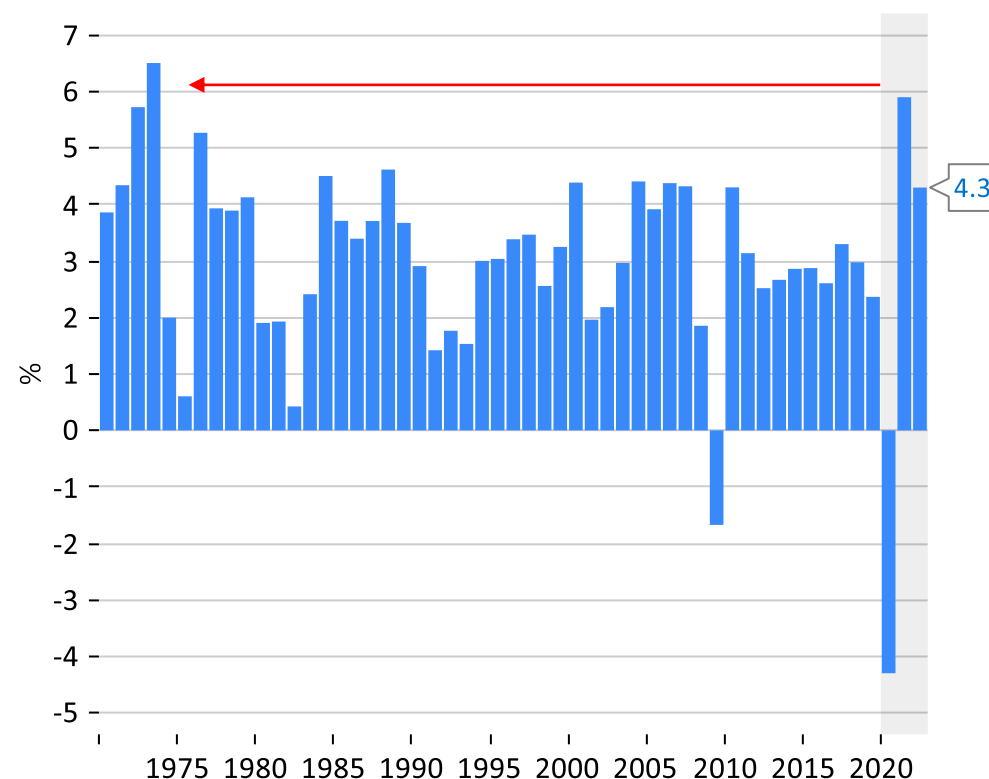
	2020	2021	2022
China	2.3 (1.8)	9.0 (9.0)	5.7 (5.7)
US	-3.5 (-4.0)	6.7 (4.1)	4.1 (3.4)
Eurozone	-6.9 (-7.4)	4.8 (5.9)	4.5 (4.3)
UK	-9.9 (-11.3)	5.6 (6.3)	4.0 (4.0)
Japan	-4.9 (-3.7)	3.2 (3.6)	3.3 (1.5)
World	-4.3 (-4.4)	5.9 (5.5)	4.3 (4.0)

Note: parenthesis are GDP forecasts at time of IPC December 2020



2021 global growth forecasts strongest since 1973

Global GDP, USD, real



Source: Sarasin and Partners and Macrobond, 2021

1. US: Biden, Yellen, Powell chart a course for the US economy without permanent loss & ready for mid-term elections

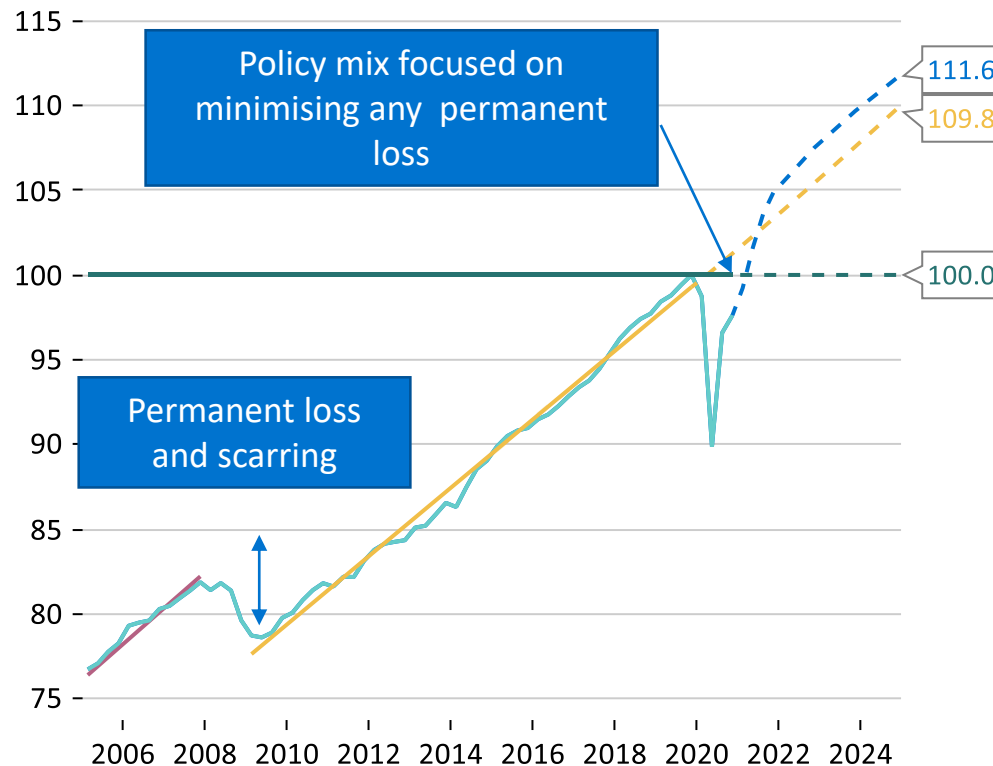


US growth: 6.7% in 2021, 4.1 % in 2022 and 2.2% in 2023



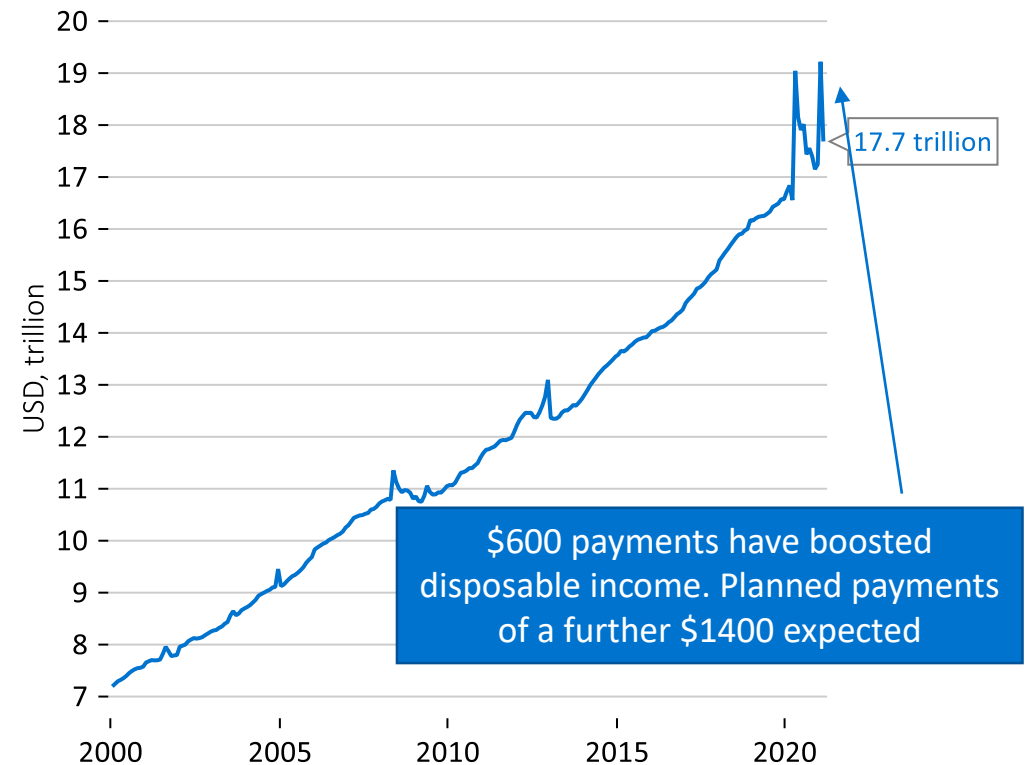
Fiscal support has been aggressive and overwhelming

US real GDP Index, SA



Source: Macrobond, 01.04.21

US Disposable Income, SA, AR



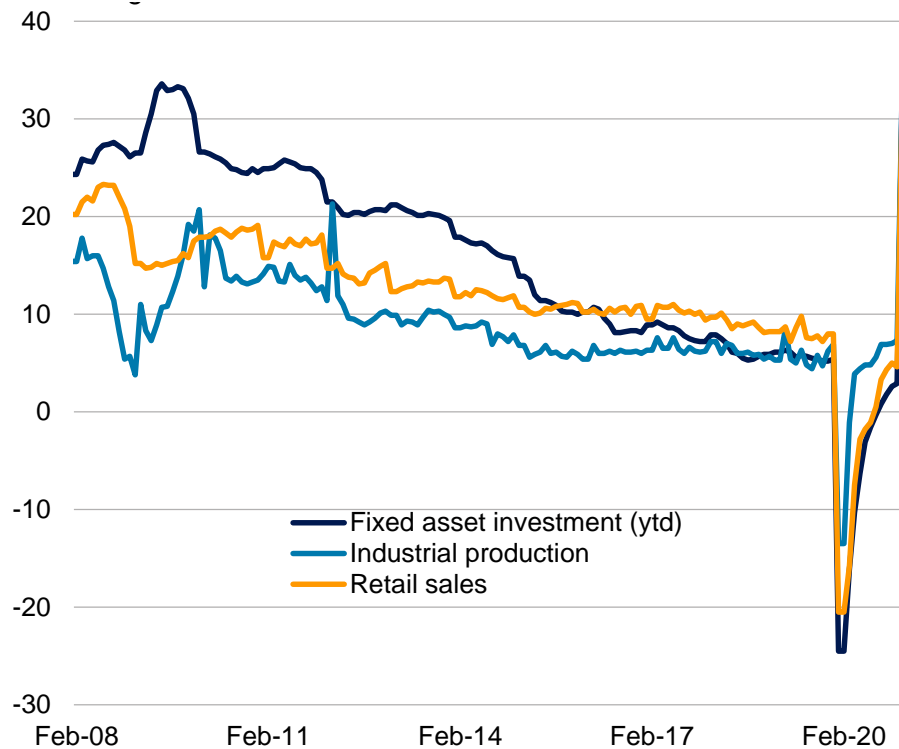
Source: Macrobond, 01.04.21

2. China: Low base effect from Jan-Feb 2020 is causing distortions, but solid recovery with strong exports



Recent activity data distorted by low 2020 base effects

Annual growth %

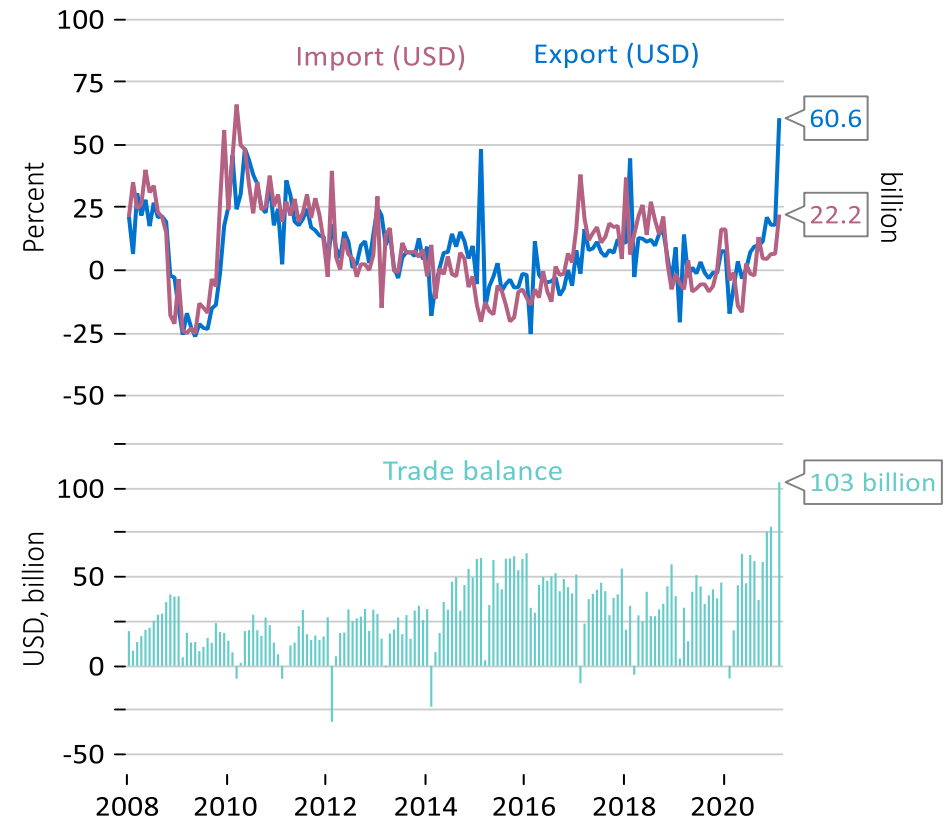


Source: Sarasin & Macrobond, March 2020



Very strong export data – PPE/work from home/electronics

Chinese Trade Data



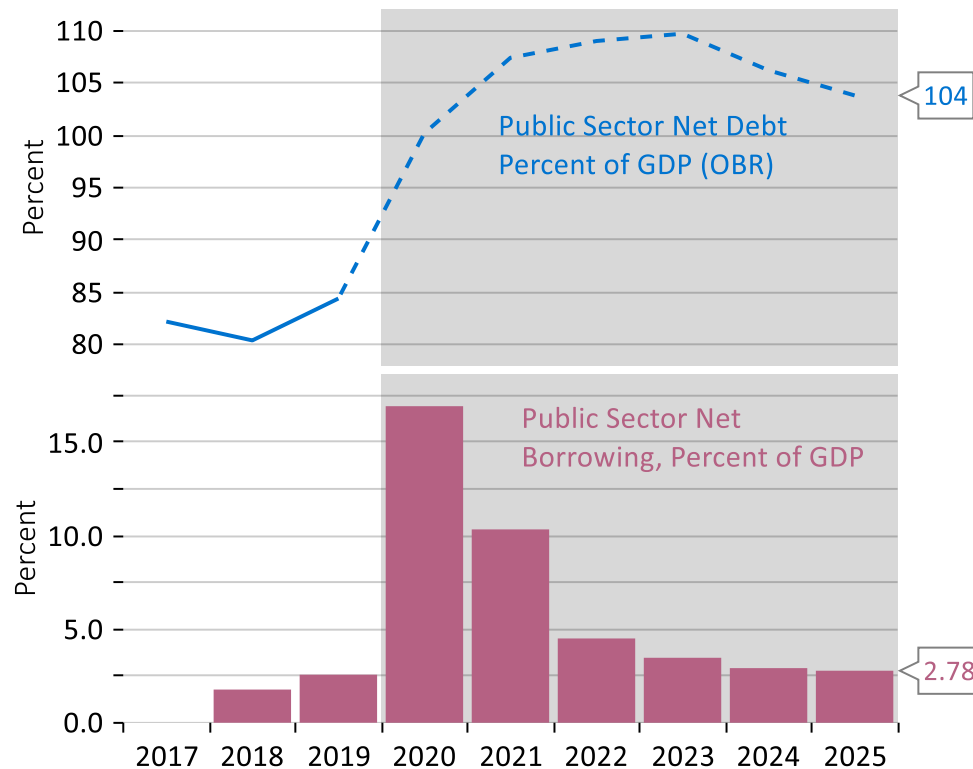
Source: Macrobond, 01.04.21

3. UK: Fiscal stimulus, vaccinations and re-opening to drive a very strong rebound from Q2 2021



UK fiscal forecasts

UK, Office for Budget Responsibility, Estimate

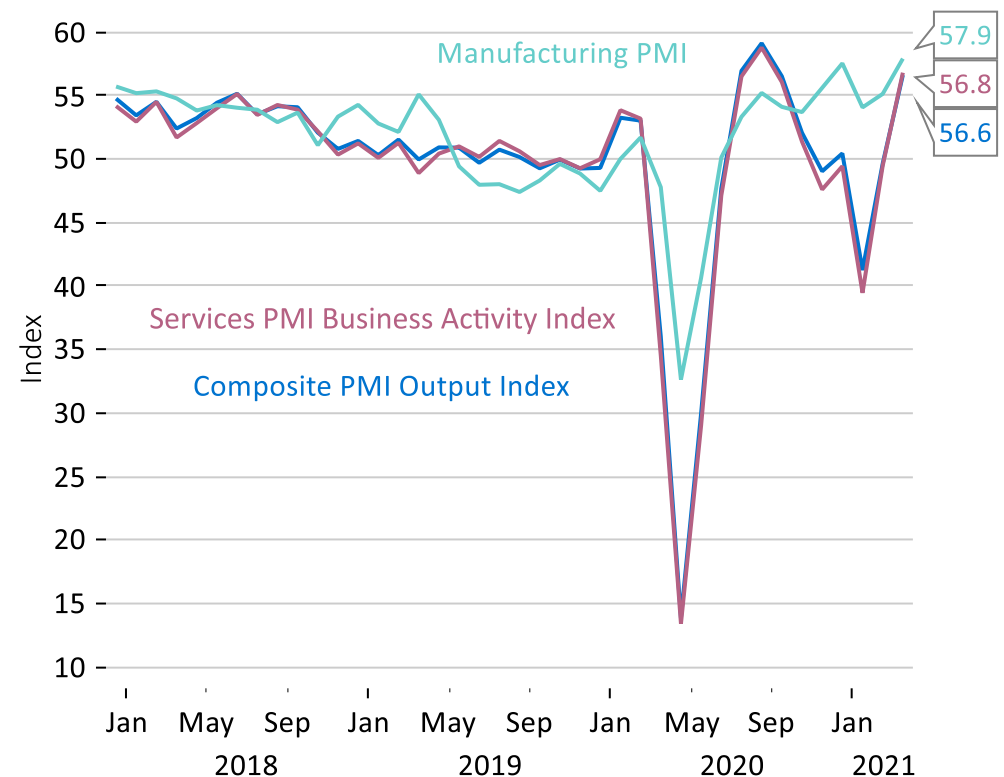


Source: Macrobond, 01.04.21



Business surveys continue to strengthen

United Kingdom, IHS Markit, SA



Source: Macrobond, 01.04.21

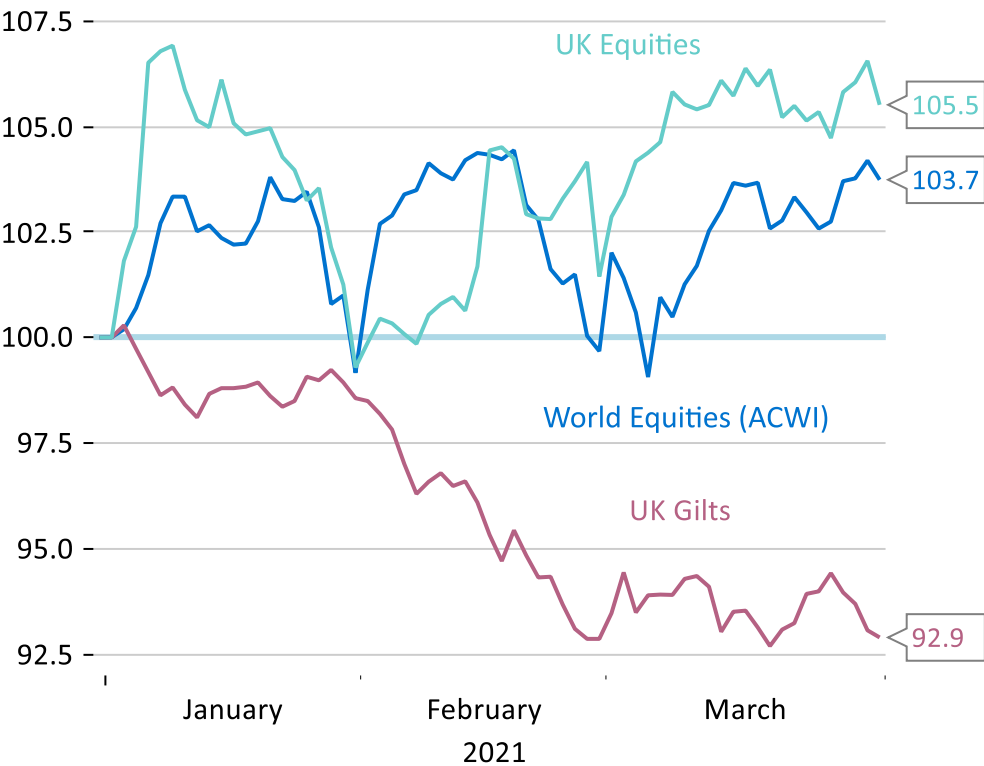
Markets 2020

Bonds prices fall – UK rallies – global equities climb steadily

 Equity rally continues on election, Brexit and vaccine news

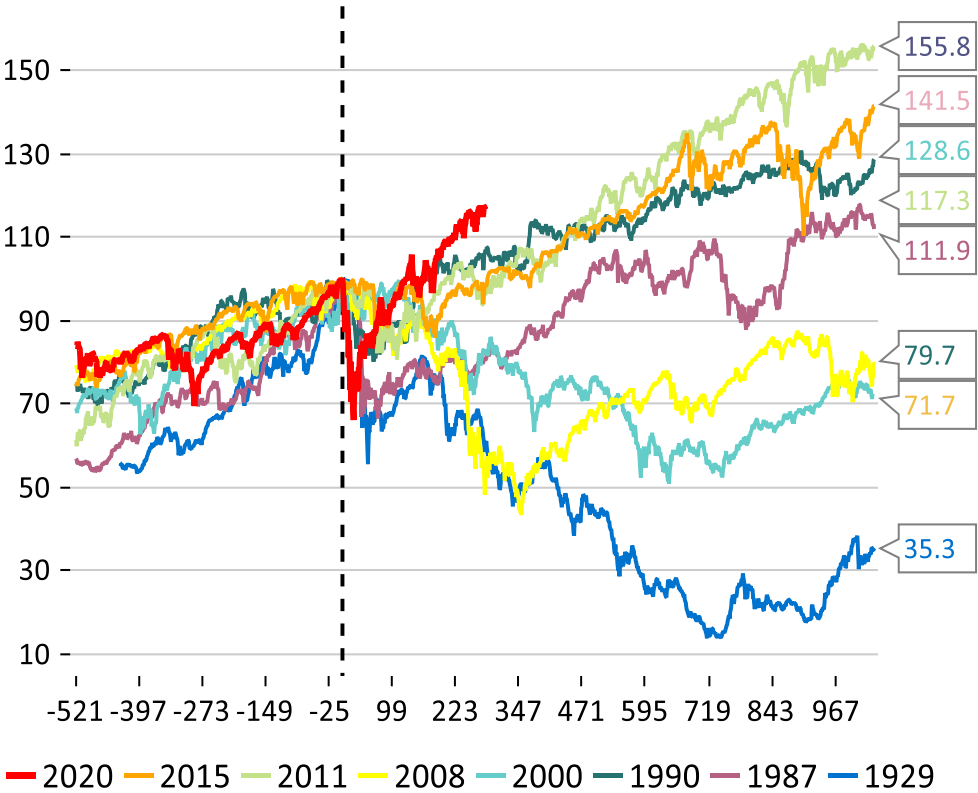
 The fastest recovery from a bear market on record

Global Asset Class Returns 2021 (GBP)



Source: Macrobond, 01.04.21

S&P500 Corrections from Peak



Source: Macrobond, 01.04.21

Vaccine led global recovery gathers pace

Bond yields trend higher – earnings and dividends climb – volatility to rise



Global strategy update March 2021

Bonds	Strong Underweight <ul style="list-style-type: none">• Strong UW Government Bonds – a robust global recovery implies upside risks for yields• UW Investment Grade Credit – yield spreads narrow - UK charity & infrastructure issues offer social impact benefits
Equities	Overweight <ul style="list-style-type: none">• OW Global equities – equity risk premium still attractive while earnings have scope to surprise - volatility to rise• OW UK equities – valuations attractive - flow of funds back to UK probable on Brexit deal• OW EM equities – China centric Asia managed COVID well –commodity/energy rally supports other EM
Alternatives	Overweight <ul style="list-style-type: none">• OW Other Alternatives– infrastructure and renewables beneficiaries of fiscal spend - liquidity issues remain• OW Uncorrelated Alternatives – add to gold positions following recent price correction as Govt borrowing soars
Cash	Underweight <ul style="list-style-type: none">• Central Bank commitment means negative real yields - first US rate rise forecast for 2023• No currency preference given similar macroeconomic policies/rates worldwide
Risks	Current: Resurgence in virus variants in 2021, disorderly bond markets Longer-term: Inflation pressures become entrenched, central bank policy error, China-Taiwan tensions

Important information

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