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FAMILY OFFICE

Economic & Market review – January 2021

January saw divergent performance for shares, with developed market equities ending the month lower while emerging market equities posted positive returns.

The month saw volatility from abnormal and targeted trading, along with concerns over the pace of vaccine roll-outs.

Government bond yields generally rose (meaning prices fell). In the US, the Democrats secured control of Congress to raise expectations of more fiscal stimulus.

Commodities gained with energy the best-performing index component as Saudi Arabia unexpectedly announced a unilateral cut in output.

US equities declined. Unusual and highly targeted trading from a cohort of retail investors contributed to a rise in market volatility, dampening risk appetite that had pushed the S&P500 to a new high.

The volatility overshadowed optimism earlier in the month, stemming from an anticipated fiscal stimulus boost following President Biden's inauguration. The Federal Reserve said the pace of the US economic recovery had weakened. Consumer staples and industrials were amongst the weaker market areas, while energy and healthcare were more resilient.

Eurozone shares fell in January. A relatively slow roll-out of Covid-19 vaccines dominated the headlines. Also denting sentiment was political turbulence in Italy that led to the resignation of Prime Minister Conte. The European Commission's consumer confidence survey fell by 1.7 points compared to December. Data showed the German economy grew by 0.1% in Q4 2020, while French GDP shrank 1.3%. The healthcare and IT sectors posted positive returns. The weakest sectors were real estate and consumer staples.

Emerging market equities recorded a positive return as investors anticipated a return to social normality and economic recovery. This was despite a sell-off towards month end on concerns of a Covid-19 resurgence. The UAE and Egypt were the best performing markets in the index.

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