REVIEW OF 2020 – OUTLOOK FOR 2021

The table below sets out the quarterly open and closing values for the FTSE All-Share Index as well as the highs and lows in each quarter to highlight the changes for 2020.

Quarter	Open	Close	High	Low	Return year to date
January – March	4196	3107	4257	2727	-25.95%
April - June	3107	3410	3589	2958	-18.73%
July - September	3410	3282	3494	3240	-21.78%
October - December	3282	3673	3750	3151	-12.46%

The economic data at the start of the year was not encouraging, with markets lacking direction. This meant that when the impact of the virus became apparent, the UK in particular was not in the best position economically, and globally when lockdowns started to be imposed by a number of countries asset prices fell sharply. This, unfortunately, set the scene for the rest of the year, which can be summed up with the one word that markets dislike the most, which is "uncertainty".

Despite this, companies and markets are remarkably adaptable and forward looking and for those companies who already had an online presence or who could move online, they satisfied the change in consumer demand. This wasn't just online food shopping and the use of Amazon, it also meant people were buying items such as bicycles, gym and garden equipment and even starting to grow their own produce. The share prices of those sectors started to recover and exceed expectations.

The pace with which companies have adjusted the way in which they work has been possible due to advancements in technology. Prior to the restrictions from lockdown many would not have been aware of Zoom, and to a lesser extent Microsoft Teams, but now they very much form a part of daily life. These changes, we believe will be permanent, but the extent of this is unknown.

Central banks have once again provided the financial support that is absolutely necessary in the current climate to keep economies functioning.

The UK, as a market, was not a favourite choice for investors in 2020, one of the primary reasons being the inability to agree a trade deal with the EU. However, at the eleventh hour a deal was secured, although some aspects still need greater clarity, such as financial services. This may well see investors returning to the UK market, where valuations are low.

The EU has weathered the uncertainty this year better than expected, and we still see value in certain sectors and regions. We also think that the trading relationship with the US will be more favourable under a Biden presidency.

In the US, the biggest change with the Biden presidency is that he is willing to engage and negotiate with global leaders which will be positive for future trade talks. The US economy has rebounded very strongly with the one word of caution being the impact of the technology sector, where some valuations look extremely high. A good example being Tesla, which has a PE of 104 against the sector average of 28 times.

China's economic growth rate is almost back to pre-pandemic levels and consumer demand remains high with the expectation that they are leading the global recovery.

© Medical Investment & Advisory Services LLP 2021

Emerging markets carry a higher risk for investors because of the effect of the US Dollar on their debt. However, in 2021, as the global recovery improves demand for their natural resources and commodities should pick up.

In the short term we expect global inflation and interest rates to remain low. Central banks are expected to wait for clear signs that economic growth has traction before dealing with any increase in inflation.

The table sets out our current asset allocation views.

Underweight	Neutral	Overweight
Index-linked Gilts: UK, US	Index-linked Gilts: Global High Yield Bonds (for income)	
Investment-Grade Bonds	Equities: China, Far East, Emerging Markets, Japan	Equities (large cap): Europe, Asia ex China
Equities (large cap): US	Equities (small cap): UK, US, Europe Equities (large cap): UK	Specialist Equities
Property	Commodities	
Gold		

*Neutral means that, while we support the asset class, we do not generally want to adopt an overweight position

Despite the new strain of the virus, the vaccine roll out has begun which hopefully marks the beginning of the end albeit still a long road to travel. Our expectation is that, as restrictions reduce, and we are all able to move more freely consumerism will drive the economic recovery.

We wish you and your family a safe and healthy 2021.

4th January 2021

© Medical Investment & Advisory Services LLP 2021