

## September 2021 quarter end review update

The table details the quarterly data for the FTSE All-Share Index.

Quarter	Open	Close	High	Low	Return year to date
January – March	3724	3838	3879	3641	3.06%
April – June	3838	4014	4088	3838	7.79%
July – September	4014	4059	4144	3909	9.00%

As economies slowly open up, the potential for growth is being hampered by disruptions to the supply chain. Examples include the motor industry, which is currently suffering from a shortage of micro chips due to increased consumer demand for computing technology, such as laptops, tablets and smart phones, etc. This is spreading because there continue to be outbreaks of Covid cases where staff in all types of businesses need to isolate, which will clearly impact on productivity. Alongside this, the first tangible consequences of Brexit are being felt no more so than in the shortage of haulage drivers, added to which the increased documentation required to move goods between the UK and Europe are causing additional delays. Demand is still positive, possibly due to the shortages themselves but the data also shows increases in consumer demand.

Overall leading economies are growing, which gives further justification for central banks wanting to reduce and eventually stop the bond buying programme. This will mean a significant adjustment for markets, even though they are fully aware that this is underway. As mentioned in the previous commentary, the focus is shifting to fiscal measures such as infrastructure spending programmes as well as investing in various capital projects.

Developing economies are showing that the demand is there – where the purchasing managers index (PMI) is above 50, which is a main benchmark for indicating economic growth. The UK is currently at 55 and Europe is at 60. If this were to continue, and the supply chain issues are resolved, which they will be, this is positive for economic growth. This would mean higher inflation, from almost zero levels in recent years, but is not expected to remain above the 2% target for a sustained period of time.

As always there are headwinds, and at the moment China is introducing restrictions and controls on the tech sector in terms of what they can and can't do with the data that they hold, as well as their market dominance all of which has meant sharp falls in the share price of some tech firms. As this develops, it will be interesting to see if other countries bring in their own regulatory requirements.

There are many countries that will start to see the end of their furlough schemes, including the UK, at the end of September. By the end of October, we will start to see data that shows the impact that this may have on unemployment.

We continue to see the theme of ESG (Environmental, Social and Governance) being promoted by commercial entities worldwide with governments also looking to improve their “green” credentials through legislation.

The table below sets out our current asset allocation views.

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

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

