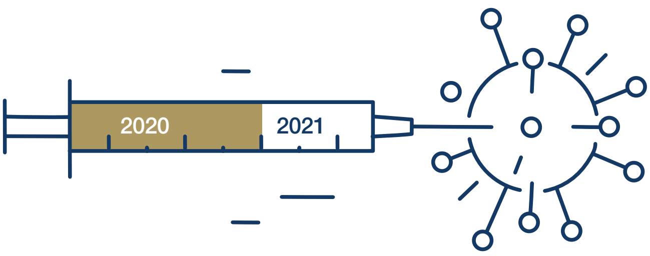
BRI Wealth Management PLC

Jan 2021

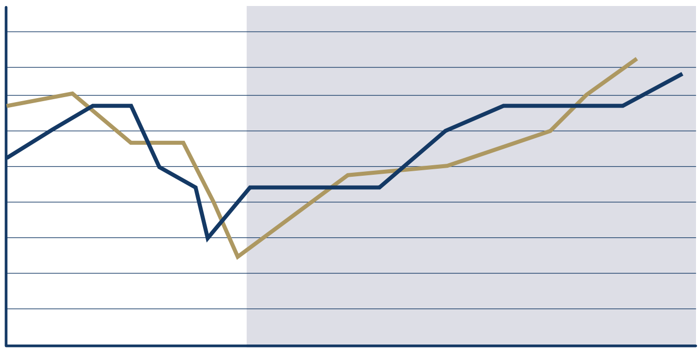
# MARKET COMMENTARY

**I am sitting, alone, in our office in Meriden. The snow is falling, and the guttering has just been fixed. The peace and quiet are deafening. I'm usually grateful for the calm as it makes a pleasant change from the hustle and bustle of a thriving office, which isn't always conducive to reflection. However, I'm struggling to find the right words to talk about 2020.**

It's been a year filled with such suffering and sorrow that have spread through all of society. Words cannot adequately describe what we've all been through. It almost seems trivial to talk about the rate of inflation or the comparative rates of GDP growth in major economies. However, I shall endeavour to give a brief overview of what has been happening in the markets recently and what the future may hold.



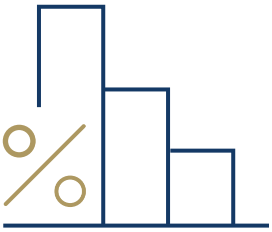

Things in the markets have taken a positive turn over the last few months. The positivity that has swept through the markets started in November as news emerged that Pfizer and Biontech had successfully created a vaccine. The prospect of 'life after COVID' soon becoming a reality gave markets a shot in the arm, with most major equity markets moving firmly higher. This positivity was further reinforced by more successful vaccines being announced by Astrazeneca and Moderna. The realisation that three vaccines would be available and that billions of doses could be administered in 2021 meant that there was light at the end of the tunnel, despite that tunnel being quite long.



Markets continued their ebullient mood with the receding of the geo-political risks that have engulfed markets for the last four years. The nail-bitingly close American election saw Joe Biden clinch the presidency, despite the protestations and grumblings of nearly half the population. Markets initially responded in a negative way, as a Biden presidency was likely to lead to higher tax rates; but markets quickly brushed off their concerns and focussed on the prospect of more political stability and a more aggressive package of fiscal stimulus. The final piece to fall into place in the last few months was the successful agreement of a trade deal with the European Union. Whilst the deal itself had positives and negatives for both sides, markets responded favourably to the conclusion of Brexit. Pleasingly, it finally seems that we have more clarity and stability from a geo-political perspective than we have had for nearly five years. China will continue to pose quite a big problem for the West and the chaos that COVID has caused has been capitalised upon by China, but other risks have subsided, which is a positive for markets.

Despite the recent positivity that we have seen, the UK market finished the year down 14%, the worst performance since 2008. However, the recent developments that we have seen lead us to be more optimistic on the prospects for UK markets this year. The year is likely to see continued volatility in financial markets as the worst healthcare and economic crises in living memory gradually draw to a conclusion. However, the general direction of travel for markets should be positive this year as life starts to improve.

## LOW INTEREST RATES



The most important driver for the markets over the coming years is likely to be interest rates and the ultra-loose monetary policy that we have seen employed by central banks across the world. I could write many pages on this subject, but I will keep the points brief here. Essentially, low interest rates make equities highly attractive. Where else can one invest one's money (apart from property) and get any sort of return? This will underpin markets for years to come, though it may be a bumpy ride. Whilst we have felt increasingly positive about markets over the last few months, we do feel that they have probably gone a bit too far a bit too fast. I wouldn't be surprised to see a bit of volatility creep into markets over the coming months, but we are likely to increase our equity and property allocations on any material weakness.

The last year has been tough for all of us. This year should hopefully be easier. However, we're in for some dark weeks and months before life starts to improve. It will improve though. It can be hard to find hope and be positive at the moment but the thought of getting back to some normality over the coming months helps me through the darker days. How I shall relish the first time I can hug my parents, the first pint in my local pub, and the last time I hear 'You're on mute' in an online meeting. Things will get better and I look forward to the time when I can return to discussing the trivialities of inflation rates and the differing growth rates of major economies, in my usual verbose manner.

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