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**February 2021 Market Update**

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It might be appropriate to start January 2021 by looking back at last year. At the start of January 2020, we were fairly sure what we would be writing about, which included the run-up to Brexit on the 31st and a gradual thawing of US/China relations with a long-awaited trade deal due to be signed.

China certainly grabbed the headlines but not for reasons of trade. By the end of January 2020 countries around the world were experiencing the initial impact of coronavirus, and the impact on world stock markets was starting to be felt.

Ultimately 2020 was a year like no other but, as we reported last month, the majority of stock markets actually made gains in the year.

So, what did January 2021 bring us? The roll-out of more vaccines finally gave hope of an end to the pandemic but there was also some bad news, especially on the UK high street and in the US jobs market. January wasn't a great month for world stock markets but, as last year very clearly showed, it is only one month.

As always, let's look at all the details...

### UK

January ended with reportedly around 600,000 people being vaccinated in one day and the month began with business leaders calling for help as the country went into its third lockdown, which now looks set to continue into March.

By that time Chancellor Rishi Sunak will have presented his Budget. It is rumoured that the furlough scheme will be extended, but will there be more help for business in the Budget? Or will the Chancellor stick to his earlier mantra that he cannot save 'every business and every job?' The second part of that statement is becoming all too apparent. As we write (on the morning of February 1st) there is confirmation that Asos are buying the Topshop and Miss Selfridge brands. They are buying the brands and the customer base, but they want nothing to do with the shops. Last week Boohoo bought Debenhams on exactly the same basis.

When the Chancellor stands up on March 3rd, he will need to give far more than a reduction in rates, or an online sales tax, if he is to breathe new life into our high streets.

Perhaps the only consolation for the high street is that it is not the UK car industry. 2020 saw new car registrations down to a 30-year low, with Mike Hawes of the Society of Motor Manufacturers and Traders describing it as "the worst in a generation."

On the other side of the coin, Nissan reaffirmed its commitment to car production in Sunderland, with COO Ashwani Gupta describing Brexit as a positive for the industry, saying it would allow Nissan to 'improve its competitiveness.'

In the wider economy, UK GDP was down by 2.6% in November, thanks to another period of lockdown. Inflation doubled in December to 0.6% due to a rise in transport costs and, to no-one's surprise, Government borrowing in December set a new record. At £34.1bn borrowing in the month was the highest December figure on record, and the third-highest for any month since records began in 1993.

Fortunately there was some light amid the gloom. Bank of England boss; Andrew Bailey; told City AM that he expected a 'pronounced recovery' as the vaccination roll-out continued.

Perhaps even more encouraging is that the entrepreneurial spirit was alive and well. More than 29,000 new companies were registered in the UK in September, the highest number since October 2007 and the third-highest monthly figure since records began in the late 1980s. Confidence among more established businesses appears to be returning not just in the UK but around the world. City

AM reported that companies raised \$400bn (£292bn) in the first three weeks of the year as central governments continued to stimulate their economies.

What about the FTSE-100 index of leading shares in January? Sadly, it fell back 1% in the month to close at 6,407. The pound was unchanged against the dollar in percentage terms, ending the month at \$1.3700.

## Europe

The month in Europe began with shareholders approving the merger between Fiat Chrysler and France's PSA group, which will create the world's fourth biggest carmaker.

It was also a successful start to 2021 for Europe's police forces, as an international operation led by Europol took down what it claimed was the world's largest illegal platform on the 'dark web.' Dark Market had more than 2,400 people selling drugs, counterfeit money and anonymous sim cards; in total worth more than €140m (£124m). German authorities arrested an Australian citizen near the German-Danish border.

At one point in the month, it looked as though Germany might close its borders over worries about possible Covid-19 mutations. There are certainly plenty of worried faces in the country, with Reuters reporting that German business morale had 'slumped.'

There are also concerns about who will replace Angela Merkel. Germany is due to elect a new Chancellor in eight months' time and as yet the ruling CDU party has failed to come up with a viable successor to Merkel.

One European leader who wasn't waiting eight months was Italian Prime Minister Giuseppe Conte, who resigned over criticism of his handling of the pandemic. Reportedly almost half of Italian voters want Conte to remain as PM, but with the political parties divided overspending as a way out of the consequent economic downturn; it is not clear if he will be able to form a new coalition government.

Like most of the major Western stock markets; the German and French indices both drifted downwards in January. Germany's DAX index was down 2% at 13,433 while the French stock market fell 3% to 5,399.

## US

January was, of course, the month when '45' gave way to '46.' Joe Biden was sworn in as the 46th President of the United States.

Biden immediately signed a swathe of executive orders. The US will re-join the Paris Climate Accord and 11m illegal immigrants were granted an amnesty. Other measures followed as he started to unpick Trump's legislation.

Will we see a more conciliatory attitude to China from the new administration? The US/China tensions continued right up to Trump's last days in office as he banned eight Chinese apps including popular payment platforms Alipay, QQ Wallet and WeChat Pay.

As we all now know, the pandemic has been good for billionaires. January saw a change at the top of the leader board, with the soaring share price of Tesla allowing Elon Musk to overtake Amazon's Jeff Bezos and claim the 'world's richest man' title.

January was a month which underlined, if it needed underlining, the pace of change in the American economy. Tesla is now the world's most valuable car company and set a record for delivery of new vehicles. It also moved closer to launching in India and recorded its first quarter of \$10bn (£7.3bn) in sales.

Apple duly reported sales of \$111bn (£81bn) for the fourth quarter, which was up 21% on the previous year. Facebook revenue was up to \$28bn (£20.4bn) in the fourth quarter (up 25% on last year) and Netflix went past 200m subscribers.

...But there was bad news for the wider US economy which lost 140,000 jobs in December, the first fall since April, as rising Covid-19 cases and the cold weather took their toll, especially on restaurants and bars.

One analyst described the figures as being “so bad, they’re good”, meaning that they would force the incoming Biden administration to introduce stimulus measures. The new President duly unveiled a \$1.9tn (£1.4tn) stimulus plan for the economy, including a direct payment of \$1,400 (£1,020) to all Americans. The package also included \$415bn (£303bn) to fight the virus and \$440bn (£321bn) for small businesses.

The Dow Jones index fell 2% and through the 30,000 barrier to end the month at 29,983. The more broadly-based S&P 500 index was down 1% to 3,714.

### Far East

Official figures have revealed that the Chinese economy grew by 2.3% in 2020. That may be its slowest rate of growth, but China will be the only major economy to have grown at all last year and growth in the final quarter was an impressive 6.5%.

January started with more mass arrests of pro-democracy activists in Hong Kong, and it ended on a similarly bellicose note with Beijing warning Taiwan that any attempt to seek independence ‘would mean war.’

As the Trump Presidency entered its final days, the spat between China and the US continued. China brought in new laws that will allow courts to punish firms that comply with ‘unjustified’ foreign laws. The US accused China of falling short on its commitment to buy an extra \$200bn (£146bn) of US goods in 2020 and 2021.

Tellingly, figures released by the United Nations showed that China overtook the US as the world’s top destination for foreign investment last year. New investments in the US halved last year, whilst direct investment into China rose by 4%, allowing it to overtake the US.

The Shanghai Composite index had a quiet month and was up just 10 points, unchanged in percentage terms at 3,483. The Hong Kong market was up 4% to close January at 28,284; while the market in South Korea was also up 4% at 2,976. Japan’s Nikkei Dow index rose a rather more sedate 1% to close at 27,663.

### Emerging Markets

‘May you live in interesting times, Mr Bond,’ as countless villains have said to the hero. It appears that Vladimir Putin has said much the same to his arch-critic Alexei Navalny who flew back to Russia for the first time after allegedly being poisoned with a military-grade nerve agent. Navalny was immediately arrested, as were 1,500 of his supporters who took to the streets in protest. The final Sunday of the month saw more protests, with reports suggesting up to 5,000 people had been detained across the country.

With rumours circulating of Putin supposedly owning a ‘Black Sea palace’, which Navalny alleges was paid for with ‘the biggest bribe in history’, this may be one of the longer stories of the New Year.

Rumours also continue to swirl around Vladimir Putin’s health, so Russia could be in for an ‘interesting’ year in 2021.

The Russian stock market remained stoically unmoved by the unrest and speculation, dropping back just 12 points in the month to end unchanged in percentage terms at 3,277.

There was bad news in Brazil, with Ford announcing the closure of its last three factories in the country, putting an end to decades of manufacturing in the country, with 5,000 people expected to lose their jobs.

The company, which is undertaking a global restructuring, blamed 'significant losses' in the region. January was a disappointing month for the Brazilian stock market, which fell back 3% to close at 115,068.

The Indian market was down by a similar amount, ending the month at 46,286.

### And finally

With millions of children facing the ordeal of Zoom lessons with their teachers and, presumably, tiresome questions, one boy managed to avoid the interrogation. The young whippersnapper changed his name to 'Reconnecting'. Apparently, it took his teacher several weeks to twig that she hadn't heard from him for a while...

Meanwhile the world's elite tennis players were flying down under for the Australian Open tennis, only to be quarantined in their hotels for 14 days. Obviously, they still needed to practice, so several of the players took to training in their bedrooms. We have all heard noises we'd prefer not to hear from the next bedroom, but perhaps not 400 backhand volleys hitting the wall at three in the morning. A clear case of game, set and mattress...

Finally, some clients may worry that we are living in an increasingly 'Big Brother,' tech dominated world, particularly as facial recognition becomes ever more prevalent.

Sadly, ladies and gentlemen, you may soon have more to worry about than just your face being recognised. One Chinese technology company gave all its staff cushions, supposedly for their wellbeing. The staff were told that the cushions would monitor vital signs such as heart rate and breathing and even pick up on poor posture.

If only that were true. One employee got an angry message from HR demanding to know why she had not been at her desk between 10.00 and 10.30am, followed by a threat to cut her bonus. "I felt like I was being spied on," said Ms Wang.

Quite so. And if you're reading this, Big Brother, some of us in the office are not as young as we once were. If you're thinking of spying on us, our faces may be a better bet after all...

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Sources: <https://informedfinancialplanning.co.uk/wp-content/uploads/2021/02/February-Market-Sources.pdf>