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March 2021 Market Update

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Welcome to the March Market Commentary: as you will see below, February was a good month for world stock markets with virtually all the major markets moving in the right direction.

It was also the month which saw the rollouts of various vaccines accelerate in many countries. As we write on the morning of March 1st, the Telegraph is reporting that more than 20m people in the UK have now received a first dose of the vaccine, with 'vaccines for over-40s to start this month.' A year ago, of course, it was a very different story. Here's an extract from our March commentary from last year:

"In February the impact on the world stock markets was clear for everyone to see. Although markets held up reasonably well for most of the month, there were dramatic falls in the fourth week and by Friday 28th a market was doing well if it had only recorded a single digit fall in the month.

By the middle of the month Qantas and Air France were warning of a significant impact on their revenues, with initial estimates suggesting that the virus would cost airlines $30bn (£23.5bn). You suspect that figure may end up being rather higher…"

As we now know, stock markets were to fall further last year before they recovered in the second half of the year. And, sadly, plenty of other industries joined Qantas and Air France in feeling the effects of the pandemic. As we will see below, though, optimistic noises are gradually being heard as the vaccination programmes ramp up.

Two of the world's more prominent bankers made interesting comments during the month. Daniel Pinto, Co-President of J P Morgan Chase & Co, said that the bank "will have to become involved" in the cryptocurrency Bitcoin in the future, as it broke through the $50,000 (£35,800) barrier. Meanwhile Goldman Sachs boss David Solomon dismissed 'working from home' as 'the new normal', instead labelling it an "aberration."

It will be interesting to see if their predictions are correct in the long term – but in the short term, let us look at all February's news from the markets we cover.

UK

At time of writing, the UK economy was forecast to contract by 4.2% in the first three months of the year, following a record slump of 9.9% in 2020 – more than twice the previous largest annual fall according to the Office for National Statistics. UK government borrowing hit £8.8bn in January, the highest figure for what is traditionally a key revenue raising month since records began in 1993.

Not surprisingly, there were grim company results in the month. BP posted an annual loss of $5.7bn (£4.1bn) while Shell lost an eye-watering $21.7bn (£15.6bn). Barclays announced that it had set aside £4.8bn for loans that will not be repaid due to the pandemic.

Predictably, all this was reflected in job losses and the wider retail sector. The jobless rate rose to 5.1% with under-25s the hardest hit, and it was revealed that more than 2m people have not worked for more than six months. Retail sales were down sharply in the January lockdown and, while there will undoubtedly be measures aimed at helping the high street in Wednesday's Budget, one can't help but wonder if it will be too little, too late. Fashion retailer Boohoo bought the Arcadia brands from the ruins of Sir Philip Green's empire but, tellingly, wanted nothing to do with the high street shops.

Was there any good news amid the gloom? Yes. The number of UK employers planning job cuts in January was the lowest since the pandemic began, and more than half of UK firms plan to recruit new staff over the next three months. Meanwhile the UK continues to do post-Brexit trade deals, with Rishi Sunak confirming that 'post Brexit trade flows [were] relatively similar' to the level he had expected.

The FTSE-100 index of leading shares decided (just) that its glass was half full rather than half empty and rose 1% in the month to close at 6,483. The pound was up by 2% against the dollar and ended February trading at $1.3931.

Europe

The month did not get off to a good start for Ryanair. The Irish airline announced a loss of €306m (£222m) for the third quarter of its financial year as it continued to suffer "the most challenging year in its history." The airline reported that passenger numbers were down almost 80% to just 8m people over the three-month period.

British Airways owner IAG took one look at the Ryanair figures, said, 'hold my beer' and duly reported a full year loss of nearly €7bn (£6.03bn) in 2020 – unsurprisingly its worst year ever. Meanwhile the EU politely asked Apple for €13bn (£11.2bn) in back taxes, saying that it 'made a mistake' when it abandoned an order for Apple to pay the money in Irish back taxes. (Don't bother, I've already tried writing to HMRC saying 'I made a mistake…')

Many readers will remember Mario Draghi as the former head of the European Central Bank. After the coalition government led by Giuseppe Conte collapsed last month, the Italian President asked Draghi to form a new government. After a week of talks Draghi duly became Italian Prime Minister, with a cabinet made up of technocrats and politicians.

Perhaps the most important news of the month was that China is now the EU's biggest trading partner, overtaking the US in 2020. Trade between the EU and China was worth €586bn (£511bn) last year – approximately 5% more than trade between the EU and the US.

February was a good month for both the major European stock markets: Germany's DAX index rose 3% to 13,786 while the French stock market had an excellent month, rising 6% to 5,703.

US

January saw Donald Trump replaced by Joe Biden: February brought the news that Jeff Bezos will step down from the day to day running of Amazon, to be replaced by Andy Jassy, currently head of Amazon's cloud computing division.

We all know that the pandemic has seen Amazon sales boom, and in February it was the turn of another internet giant – Google – to report soaring revenues. Fourth quarter sales were up 23% on a year ago to $57bn (£41bn) with cutbacks from travel and entertainment advertisers more than offset by online retail clients.

In the wider economy, the news on jobs was disappointing: the US economy added just 49,000 jobs in January as the pandemic continued to hamper the recovery. As might be expected, there were job losses at retail stores, restaurants, casinos and hotels.

Analysts said the figures underlined the need for more economic relief and investment, and a few days later Joe Biden reaffirmed his commitment to invest in the country's infrastructure: otherwise, he said, China would "eat our lunch." During the Presidential campaign Biden had proposed spending $2tn (£1.43tn) over four years to create jobs and invest in a clean energy infrastructure.

Meanwhile Facebook comfortably scored the 'Own Goal of the Month.' Policy changes in Australia meant that the tech giants would now need to pay for linked news content on their platforms. Google duly announced a long-term deal with News Corp, but Facebook chose to call the government's bluff and blocked Australians from sharing or viewing all news content. This also meant they inadvertently blocked health news during a pandemic – and can look forward to a hefty drop in advertising revenue.

Fortunately, the US stock market was rather more Google than Facebook: the Dow Jones index rose 3% to 30,932 – the more broadly-based S&P 500 index was up by a similar amount to 3,811.

Far East

February saw banking giant HSBC announce that it would 'pivot to Asia' as it unveiled a 34% drop in profits – down to $8.8bn (£6.3bn) – for 2020. The Bank will invest about $6bn (£4.3bn) as it targets Singapore, China and Hong Kong.

We have written previously of the tensions between the Chinese government and the younger, more nimble rivals of HSBC; the fintech firms. February saw Chinese e-commerce giant Alibaba post strong results for the last quarter of 2020, with revenue up 37% against the same quarter in 2019. The company was founded by Jack Ma: regular readers will remember that Mr. Ma disappeared from public view for four months last year, and uncertainty continues over the stock market debut of Alibaba's financial affiliate, Ant Group.

China's regulators introduced new, anti-monopoly legislation in February, widely seen as a bid to stop Alibaba and JD.com abusing their dominant market position. It looks likely that the tensions are going to continue for some time.

Far less tense were investors in Kuaishou – China's version of the short form video app Tik-Tok – who saw the company's shares triple when it made its debut on the Hong Kong stock market. Figures released for the last quarter of 2020 showed that the Japanese economy had grown by 3%, but this was not enough to overcome the earlier falls due to Covid, with the economy shrinking by 4.8% for the year as a whole. Investors were clearly happy with the figures, though – Japan's Nikkei Dow index rose 5% in February to close at 28,966.

Elsewhere in the Far East, China's Shanghai Composite index was up 1% to 3,509, the South Korean market rose by a similar amount to 3,013 and Hong Kong's Hang Seng index went one better, rising 2% in February to end the month at 28,980.

Emerging Markets

We have written previously about the tensions between India and China. This did not stop China overtaking the US in 2020 to regain its position as India's biggest trading partner, with two-way trade between the countries standing at $77.7bn (£55.2bn) last year.

Staying with India, Amazon came under criticism (surely not the last time we'll use that phrase this year) for favouring big sellers on its platform. India has rules designed to prevent small sellers and retailers from getting 'crushed' by the e-commerce giants. The charge was that Amazon – who might just about to be classed as an 'e-commerce giant' – was trying to circumvent these rules.

There was some grim news for the oil producing states in February. A report from the think-tank Carbon Tracker suggested that the cumulative loss of revenue for oil states as the world 'goes green' could be $13tn (£9.3tn) by 2040, with some states losing 40% of government revenue.

February was an excellent month for the Indian stock market, which rose 6% to 49,100: the Russian market was up 2% to 3,347. Brazil went the other way, however, with the index there falling 4% to close the month at 110,035.

And finally…

February was another good month for the 'And finally…' section. There were the typical stories of lockdown breaches through the month: mostly these were the usual, dull affairs like parties and nights-out, but in Dublin two nuns were caught breaking the country's lockdown rules.

Rather than organising a party, Mother Irene Gibson and Sister Ann-Marie performed an exorcism which attracted 70 people, rather than the 15 permitted for an outdoor gathering. The nuns certainly made no attempt to find a quiet, secluded location: the exorcism was performed in front of the Irish parliament building.

Now we turn our attention to two long-established and much-loved toys. Barbie enjoyed her best year since 2014, with sales hitting $1.35bn (£940m) as parents stocked up on toys to get their children through the pandemic. Meanwhile Mr. and Mrs. Potato Head lost their titles as Hasbro decided it was time to move away from gender norms. Henceforth they will simply be known as

‘Potato Head.’ Maybe potatoes – in their more traditional role – were responsible for this next story as well…

The Sun reported that in lockdown we’re all eating more chips, more takeaways and more fast food. Combine this with a lack of activity and the country is apparently suffering another epidemic – increased flatulence. A survey reported that 40% of us are suffering this rather unwelcome side-effect of lockdown. The worst town in the country for the problem? Brighton, according to the survey, closely followed by Manchester and Glasgow.

Not suffering from a lack of activity was a certain Mrs Chen, who divorced her husband and claimed for all the housework she had done during the marriage. A Beijing court found in her favour and awarded her 50,000 yuan (£5,460) for five years of her husband’s laziness.

There is no word on whether Indian Prime Minister Narendra Modi busies himself with a duster. You rather doubt it, as he made an early bid for the ‘Ego of the Year’ title, renaming the world’s biggest cricket stadium in Ahmedabad after… himself. The subsequent test match lasted less than two days with the pitch – and Mr Modi’s ego – coming in for widespread condemnation…

Sources: https://informedfinancialplanning.co.uk/wp-content/uploads/2021/03/March-Market-Sources.pdf