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**April 2021 Market Update**

## March 2021 Market Update

### Introduction

This market commentary has been produced for some time now but March 2021 was the first month when a ship made the headlines. Anyone who watched a news bulletin will have seen the mega-container ship the Ever Green firmly wedged across the Suez Canal. The ship, which is 400m long, was finally re-floated having caused perhaps the most expensive traffic jam in history as it held up an estimated \$9.6bn (£7bn) of goods every day.

The month also saw a major hacking attack by what Microsoft described as a “highly skilled and sophisticated actor”, reports have suggested a link to hacking group called Hafnium, allegedly backed by the Chinese government. North Korea caused the world to furrow its brow again as it fired two ballistic missiles and virtual currency Bitcoin surged past \$60,000 (£43,500). March was also the month when at least one central bank signalled its intention to introduce its own crypto-currency.

Trade talks were held between the US and China in Alaska: the exchanges were politely described as ‘angry,’ but this did not stop the majority of stock markets in this report having a good month, as vaccine roll-outs gathered pace and hopes rose that lockdowns could soon be eased with economies starting to recover.

### UK

It seems a remarkably long time ago but March in the UK started with Chancellor Rishi Sunak presenting his Budget as he started to plot an economic recovery from the pandemic and pay the bill for the commitment to ‘do whatever it takes’ to protect jobs and businesses.

The Chancellor defended his Budget as, “Not popular, but honest.” Predictably, though, it was the bill for the pandemic - and the consequent tax rises - that captured most of the headlines. With tax thresholds frozen for five years millions of us will end up paying more tax. ‘Sunak’s five year tax grab’ said the Telegraph headline, with many commentators pointing out that tax levels are now at their highest since the 1960s.

Despite this a snap poll for YouGov showed that the majority of people backed the Chancellor’s measures and - with the UK vaccine roll-out proceeding rapidly - the Government is comfortably ahead in the opinion polls.

In the wider UK economy there was the usual bad news on jobs as travel agent Tui announced it would close 48 shops and the Government turned down Liberty Steel’s request for a £170m bailout despite fears for 5,000 jobs.

Perhaps, though, some light at the end of the tunnel is in sight. Retail sales rose 2.1% in February, recovering some of the ground lost in January, and British firms planned fewer job cuts in February, despite the continuing pressure of the pandemic. Figures reported by the BBC showed that 26,000 jobs were put at risk in the month, around one-fifth of the January figure and slightly lower than February 2020. Shops are apparently going to open until 10pm when lockdown is fully eased, and the retail sector is currently calling on the Chancellor to implement a ‘shop out to help out’ scheme to help struggling high streets.

More concretely, it was announced that a new wind turbine factory will create 750 new jobs on Teesside, and pub chain JD Wetherspoon announced plans to open 18 new pubs and create 2,000 new jobs - assuming there are no more Coronavirus restrictions. ‘Thousands of jobs’ are also set to be created with the news that US firm Panattoni is to buy the car manufacturing plant in Swindon from Honda, in a deal worth £700m.

The North East was certainly the place to be in March. The Chancellor announced a new Treasury campus at Darlington in his Budget speech, as well as a freeport at Teesport. The month ended with the news that pharma giant GlaxoSmithKline is to bottle ‘50 to 60m doses’ of the Novavax vaccine at Castle Barnard in County Durham, which you may remember for its association with a high-profile eye test last year. Whose parliamentary constituency is just a short drive from all these locations? By a curious coincidence, the Chancellor’s...

Despite all this the Bank of England said that the economic outlook for the UK remained ‘unusually uncertain’ and depended on the ‘evolution of the pandemic.’ With Government borrowing due to the pandemic hitting another record in February (borrowing for the month was £19.1bn, the highest figure for the month since records began in 1993) you can understand the Bank’s caution. But consumers were rather more optimistic, as confidence surged to a 12 month high in March and estate agents reported house buyers ‘at record levels.’

Figures reported for the November to January period showed that unemployment had fallen slightly to 5%, some 1.1 percentage points higher than the same time last year, with 32.37m people in employment.

As stated in the introduction, March was generally a good month for world stock markets, and the FT-SE 100 index of leading shares followed this trend. It rose 4% to close the month at 6,714. The pound was down 1% against the dollar in the month, and finished March trading at \$1.3804.

There has been plenty of gloomy news in the Europe section of the commentary over the last 12 months, so it was good to see the month start on a positive note. Reuters reported that February had seen European factories ‘buzzing’ as demand soared. The European Purchasing Managers’ Index jumped to a three year high of 57.9 in February, up from 54.8 in January and one of the highest figures in 20 years of the Index.

One factory that was certainly ‘buzzing’ was Lamborghini’s in Italy. Despite the factory being shut down for two months the company recorded its most profitable year ever in 2020 as it sold more expensive, customised sports cars. Inevitably, much of the demand came from China which is poised to overtake Germany as the company’s second-biggest market.

The BBC reported that the European Commission wants to ‘supercharge’ production of cutting-edge computer chips by the end of the decade. In 2020 just 10% of such chips were made in the EU, and the Commission wants to increase this to 20% by the end of the decade. China and the US are similarly looking to lessen their dependency on overseas manufacture of these computer chips. March was also a good month for Dutch Prime Minister Mark Rutte as he won a fourth term in office in the election. But it was much less good for German Chancellor Angela Merkel. ‘Mutti’ had to apologise after the Government was forced to backtrack on its planned lockdown over Easter, with trust in the German government now at a post-war low.

France, Italy and Poland did impose new lockdowns - Italy will be in lockdown over Easter - as the pandemic continued and wrangles over the vaccine roll-out escalated.

...But Europe’s leading stock markets took their cue in March from the factories, not further lockdowns. The German DAX index was the best performer of all the markets covered, rising 9% in the month to close at 15,008. The French stock market wasn’t too far behind, climbing 6% to end March at 6,067.

## US

The month in the US started with perhaps the least surprising news of the year so far. Zoom - the video conferencing app everyone from grandparents to CEOs has become reliant on over the last 12 months - is looking forward to yet more growth this year. 2020 was ‘unprecedented’ for the company, with boss Eric Yuan declaring that working from home is “here to stay.”

More importantly, there was good news on jobs in the wider US economy as the hospitality sector brought back workers previously made redundant. The economy added 379,000 jobs in February, breaking a two-month run of minimal gains. The jobless rate dipped from 6.3% to 6.2%: millions remain out of work due to the pandemic, but the February figures were hopefully a step in the right direction.

President Biden will be hoping the same can be said for his \$1.9tn (£1.38tn) Covid relief package. The measure was passed by the Senate - despite every Republican voting against it - and then passed by Congress a few days later. The Federal Reserve certainly seems to have confidence in it,

forecasting that the US economy will grow at 6.5% this year, with unemployment down to 4.5% by the year end. This contrasts with the Fed's December policy meeting, when it was forecasting growth of 4.5% and unemployment at 5%.

March was not without its problems, however, with Microsoft pointing to a Chinese cyber-espionage group - supposedly with links to the Chinese government - for an attack which allowed hackers to remotely access email inboxes.

The US stock market was, though, far more in step with the optimistic forecasts of the Fed than it was with Microsoft's problems. The Dow Jones index rose 7% to end the month at 32,982 while the more broadly based S&P 500 index was up 4% to 3,973.

### Far East

March in the Far East opened with the meeting of China's parliament. As had been widely expected, the Chinese Communist Party unveiled new controls on Hong Kong, with only 'patriots' - those loyal to Beijing - allowed to run Hong Kong. Martin Liao, who sits on both the Hong Kong and China legislatures, suggested that there were many "politically immature" people in Hong Kong. He said "they think 'one man one vote' is the best thing, and they take advice from countries that don't even have 'one man one vote', referring to how neither the U.S. President or the British Prime Minister is elected by popular vote.

As the rest of the world struggles to recover economically from the pandemic, Chinese Premier Li Keqiang unveiled a growth target of 'above 6%' for this year. As if that were not enough, former Minister of Industry and IT Miao Wei said that China was still too reliant on other countries for 'core technologies' and was 30 years away from becoming a manufacturing nation of "great power." With more than a third of the world's output from cars to phones already coming from China, most observers would suggest it already is a 'great power.' Key economic data certainly confirmed China's bounce back from the pandemic, with industrial output in the first two months of the year up 35.1% on January and February 2020.

There was no bounce back for Hong Kong airline Cathay Pacific, which became the latest airline to report disastrous results for 2020. Cathay Pacific posted a record annual loss of \$2.8bn (£2.03bn) following the inevitable sharp downturn in travel last year.

Across the East China Sea the Bank of Japan revealed that it is drawing up plans for a national digital currency - which is surely a move that other countries will follow. Haruhiko Kuroda, head of the Bank, told a seminar that the country should start immediately on "preparing thoroughly" for a future with its own cryptocurrency.

The month did end on a slightly lighter note, with China and Taiwan engaged in a trade dispute over pineapples. China banned imports of pineapples from Taiwan last month, citing the risk of 'harmful creatures' that could infect its own crops. Taiwanese leaders said it was another example of China ramping up political pressure, and asked their own people to eat the pineapples Chinese consumers no longer could. The population of China is 1.398bn: the population of Taiwan is 23.5m. the Taiwanese people could be eating a lot of pineapples...

March was a mixed month for the major Far Eastern stock markets. Whereas markets in the West rose on hopes of an economic recovery from the pandemic, that was probably already factored in to the Chinese and Hong Kong markets. Both were down 2% in the month, closing March at 3,442 and 28,366 respectively. The markets in South Korea and Japan both moved cautiously upwards though. The South Korean index rose 2% to 3,061 while Japan's Nikkei Dow index was up 1% to 29,179.

### Emerging Markets

March was a relatively quiet month for news in the Emerging Markets section. There was an alarm in Turkey though. The country has apparently said it will welcome 'unvaccinated Brits with open arms' in the summer. Those Brits - if they are allowed to fly - will find that their pound goes a lot further, as the Turkish lira slid 15% in March following President Erdogan's shock dismissal of his central bank chief. There was a sharp sell-off in Turkish assets, as the new man struggled to persuade the markets there would be no immediate change of policy.

The Turkish stock market duly took flight, falling 10% in the month from 1,542 to 1,392. There were no such alarms for the three major Emerging Markets which are covered in this commentary. Both the Russian and Brazilian markets performed strongly in the month, rising 6% to 3,542 and 116,634 respectively. The Indian stock market turned in a rather more sedate performance, but still went in the right direction: it was up 1% to 49,509.

### And finally...

March 2021 wasn't a vintage month for the 'And finally...' section of the Bulletin - especially if your pay packet contained a million Bolivar note. As some readers will know, Venezuela has suffered hyper-inflation over the past six years, with the currency losing more than 99% of its value. The central bank has responded by issuing three new banknotes, for 200,000, 500,000 and one million Bolivars. The most valuable of the notes is worth just 50 US cents - equivalent to 36p. Back at home the pandemic has apparently turned us into a nation of binge-watching gaming addicts. Spending on films, music and gaming surged to a record high of £9.3bn in 2020, marking the eighth successive year of growth and - no surprise here - recording the fastest annual growth on record.

The other thing lockdown drove us to, apparently, was to buy a pet. The BBC reported that 3.2m people have bought a pet during lockdown, with young people aged 16-34 making up over half the buyers. The Petfood Manufacturers' Association says that there are now more than 17m pet-owning households in the UK - and that has led to a problem.

Don't let it keep you up at night, but there could be a national shortage of pet food pouches, so it may be time to set another place at the dining table. Sainsbury's have sounded the alarm and Morrison's have said they might not have "full availability for several months." Other supermarkets have warned that the problem could last throughout the year.

The only saving grace in March was that the nation's pet food pouches weren't stuck in the Suez Canal...

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Sources: <https://informedfinancialplanning.co.uk/wp-content/uploads/2021/05/April-Market-Sources.pdf>