MARKET COMMENTARY

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Investment Management

MARCH 2021 REVIEW
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Global equities rose over the month as markets continued to react positively to expectations of higher growth and inflation.

In the US, strong jobs and consumer sentiment data painted an improved picture for an economy that will be further bolstered by President Biden's $1.9 trillion stimulus package that was announced in the month.

US nonfarm payrolls – which measures the change in the number of people employed during the prior month – came in at 379,000, double economists' expectations, and the US unemployment rate now stands at 6.2%.

The result was an impressive 5.7% gain for US equities, ahead of European and UK markets which rose 4.6% and 4.0% respectively in the month.

By contrast emerging markets lagged, held back by weakness in China, where the key index technology positions struggled, and countries like India and Brazil, where COVID-19 cases continued to rise. The index ended the month registering a 0.2% fall.

While equities rallied on the improving economic data, US 10-year bond yields ended the month at 1.74%, the highest level in over a year, leading to losses for the asset class. The key fixed income market is being driven by two opposing forces: the expectation that reflation and robust economic growth will push yields higher, and a dovish Federal Reserve, which wants to keep policy rates low for some time.

This rise in yields led to a 1.2% loss from US Treasuries (as measured by the FTSE US Government Bond index). By contrast, UK Gilt yields were flat over the month and registered a 0.0% return.

Vaccination programs continued to ramp up across the world, although rising cases in a number of regions raised fears of a new wave. In Europe, new lockdowns were implemented in France and Italy amid vaccine shortages.

Finally, oil prices reached nearly $70 per barrel following OPEC's unexpected decision to maintain supply cuts along with stronger economic activity. However, prices pared gains into month end.