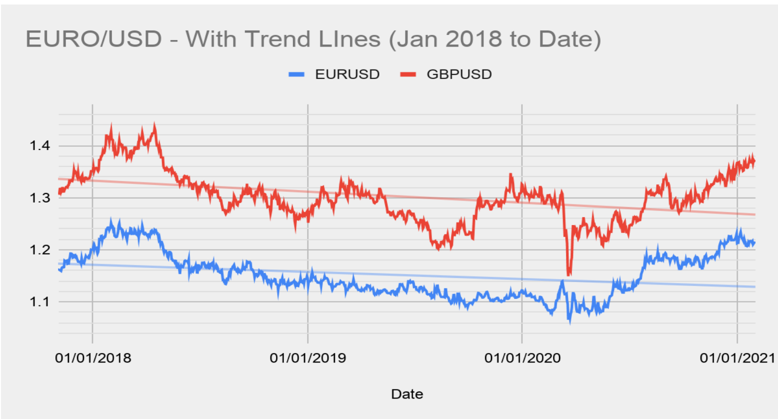
ORTEGA	The Market Wrap	January 2021

Introduction - Welcome to our January issue of our monthly summary of the market. We shall give you the price action across asset classes and offer our insights and opinions. We hope these will aid your understanding of markets and the complex system that is the global economy. We shall generally use ETFs in our market appraisals as these are easily accessible and liquid entities that are now in very common use and reflect most facets of the markets. We hope you enjoy and if you have any questions please visit our website: www.toiip.com or contact us at: info@toiip.com - Thank You and enjoy !

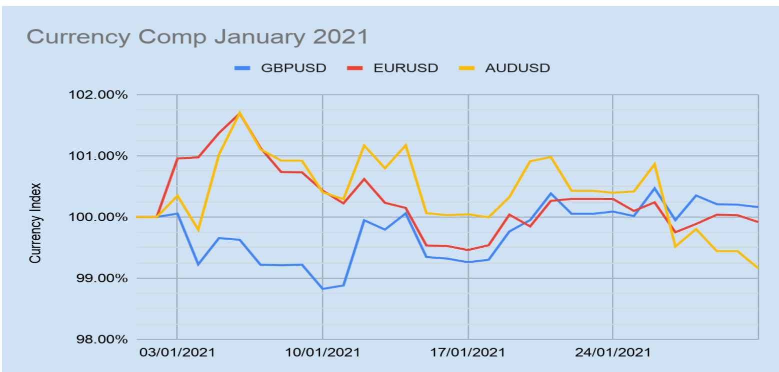
Currency

During January the DXY fluctuated around the 90 level and positioning remained very short. With the resurgence of the virus across Europe we could have seen a top in the Euro, also the ECB has started to try to talk a top into the currency as they do not really want to see a further appreciation in the currency as this will hinder any economic recovery. Europe it seems is set for a double dip recession and is having issues with their vaccine program that has been hindered by their bureaucratic approach to everything. Let's hope they can manage to legislate their way out of the pandemic and their economic malaise. Their track record does not offer us much hope but we live to be surprised.



As the USD has weakened over 2020 we have seen both EUR and GBP gain throughout the course of the year. Both economies would probably like to see their currencies ease a bit to aid their economic recoveries, whether this happens we shall have to wait and see. We feel that both currencies will have tops at 1.25 and 1.40 levels respectively. Unless we see continued USD weakness throughout the course of this year, which we do not see happening to any great extent.

Again this monthly chart shows USD weakness across the course of the month. The AUD led these currencies down towards the end of the month as we saw a small reversal in the USD. Both the GBP and EUR were flatish on the month but renewed strength in the USD may see a topping in these currencies. The UK is forging ahead with it's vaccine program and this may offer it some strength for now.



The path of the USD will be very important over the course of this year, for the moment we seem to have settled into a 89 to 82 range on the DXY and any breakout of this range will be pivotal.

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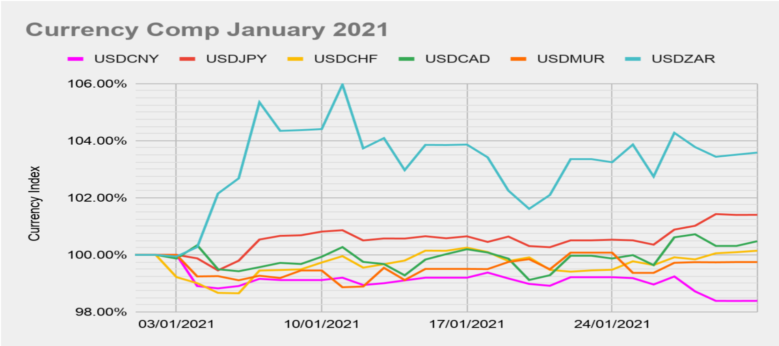
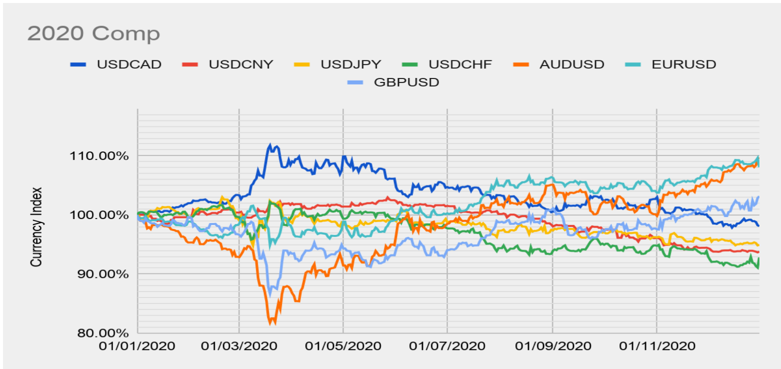
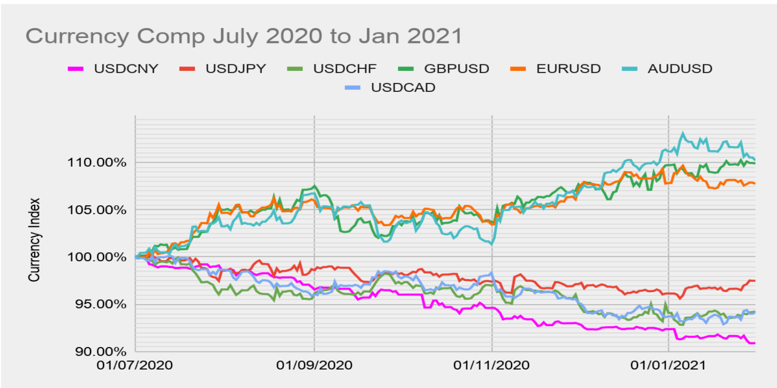


Generally against other currencies we saw a flattish month with perhaps a bottoming out process in the USD as support level in DXY held. The exception was the South African Rand which may be a virus story as we saw a new more transmissible variant emerge out of South Africa. This will present more challenges for the economy which has already been hot hard by this pandemic. CNY was the strongest of these currencies.

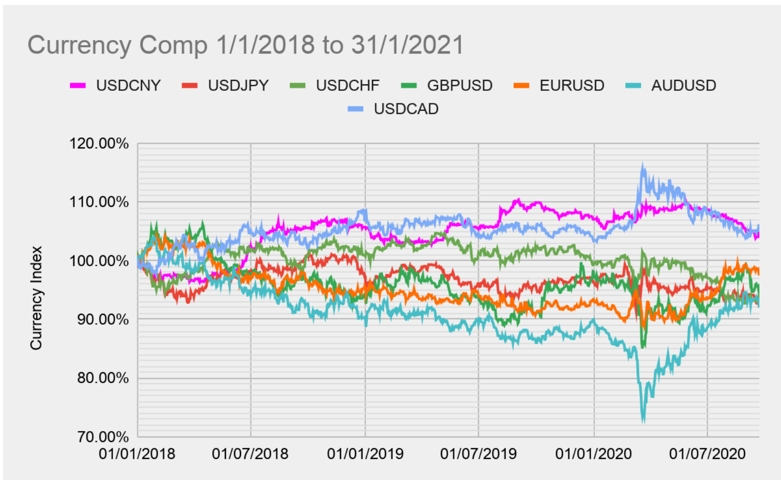
Over the course of 2020 we have generally seen USD weakness, which has been in line with the general hope of recovery and initially a V shaped recovery. This has not come to fruition and as we come to the realisation that this is going to be a long hard slog, we see the USD downtrend faltering and we could see some reversals in the past trends. The story of the USD will be important this year and we need to watch it carefully.





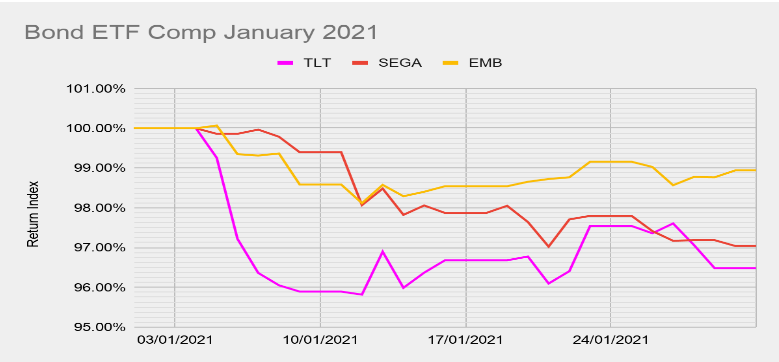
Over the second half of last year to date we can clearly see the weakening of the USD by around 10% across the board. This was the expression of the reflation trade and this has now become a very crowded trade. Any upsets to this narrative can see a reversal in this trend and we would see that happening to some extent throughout the course of this year. Hope is a great thing but must be tempered with reality, the comparables are good for now but be careful moving forward.

Over a longer time frame we can see that the USD has held strength over time and especially in times of stress as it still represents the safe haven trade. As the hope fades and reality sets in we would still see general strength for the USD the other currencies are printing with comparable speed and will be more willing to devalue their currencies to achieve the growth they all need. Growth after the initial spurt is going to be elusive and markets will come to this realisation with time. Boosting aggregate demand will prove a struggle.



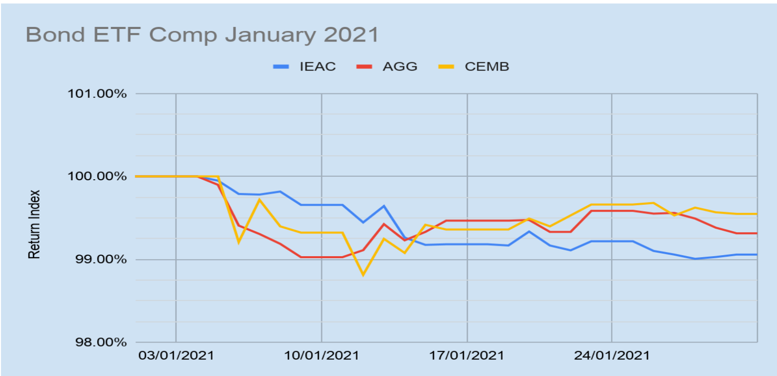
Fixed Income / Bonds

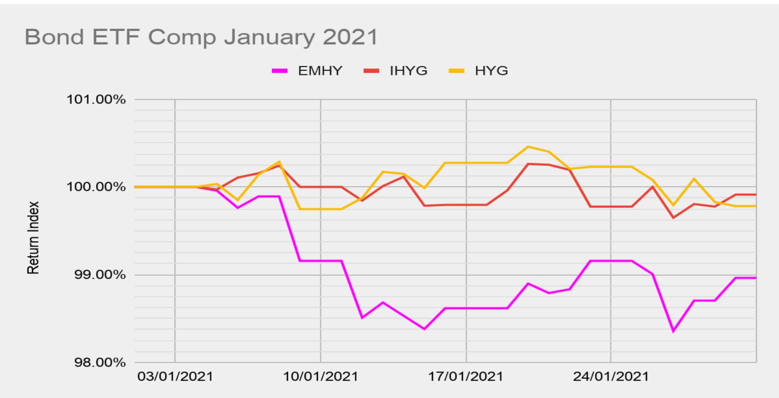
Throughout January bond markets were generally fairly flat, although we did see the long US government bond fall in price as rates rose on the longer end of the curve. This was due as inflation expectations started to rise as we saw the new US administration gain control of both the house and the senate and the market assumed that this would facilitate a larger stimulus package. This may not be the case unless they decide to go through the budget reconciliation process to get their stimulus bill passed.



Government bonds saw a slight drop in price across regions as we saw inflation expectations rise slightly initially but then somewhat subside. Short term bond rates remain firmly anchored and it is these that we watch carefully as we believe they will eventually drag down the longer term rates as inflation expectations falter later on in the year. Demand we feel will be hard to boost once Government stimulus slows.

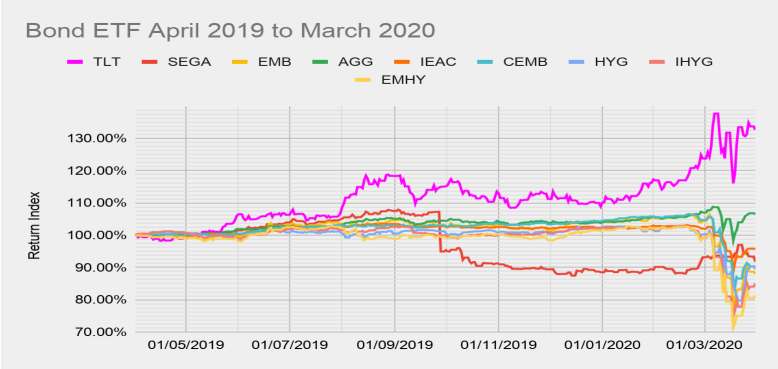
In high grade corporate markets this month was very quiet, with little movement. We still saw a general risk on movement across the month with equity markets seeing most of the action. Inflation expectations are showing up in 5 year forward rates but these are not really at elevated levels and we have seen this in previous so called reflations are are generally still quite skeptical of the reflation narrative.





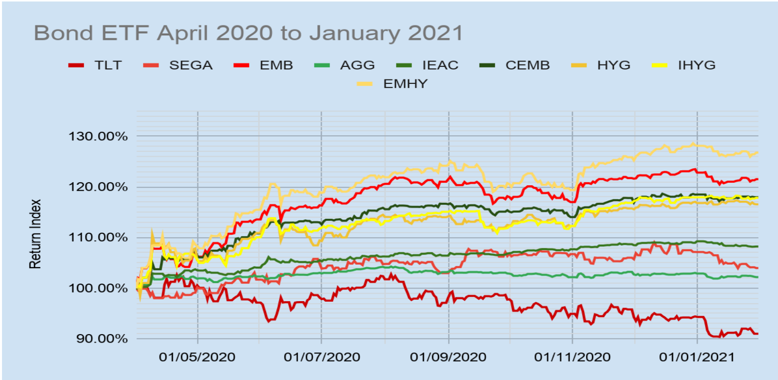
In the high yield markets again markets were quite across the course of the month. We still believe that the risk reward in these markets is skewed to the downside and that there are better places to put money to work. Emerging markets may be the exception to this as you do get paid at a better rate for the risks you are taking.In general though we do not favour this investment class for the moment and would look to alternatives.

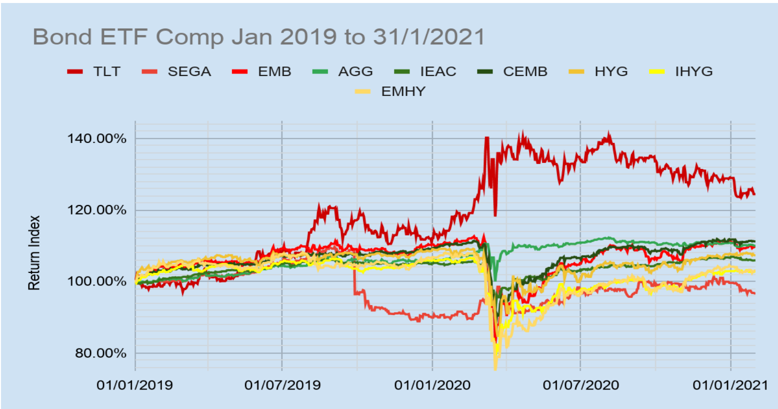
Both Europe and the UK are likely to suffer double dip recessions and with Europe being somewhat retarded in their vaccine roll out and this will delay their future recovery.



For this period here up until the start of the pandemic we can clearly see how US Government long term bonds were the place to be and had good out performance During this time frame high yield was not a very good space to have money deployed. Europe was also not the best place to play the credit markets at this time. The graph below shows That since the pandemic we have seen an underperformance of US Government bonds

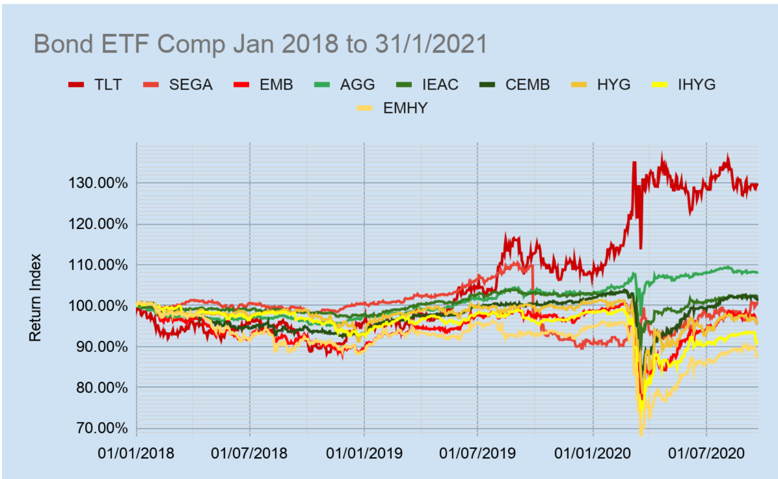
From the month of April onwards as the markets started to come to terms with the pandemic and its potential impact on the economy we can see how markets have rushed into high yield markets and emerging markets as there was a general risk on narrative to the market and the reflation narrative was taken up by investors Many of these trades are now crowded and may not have much further to run.





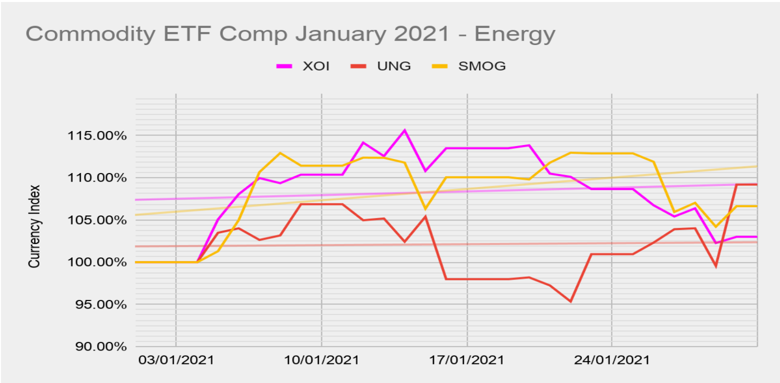
A look back over the last 2 years shows that the safety of US long term government bonds has been the trade that has performed the best and by some way over this period. Even with the fade that the US long term bonds have seen over recent months its out performance is mardely good. So far there has been around 4 Trillion of “stimulus” into US markets and we have not seen any inflation, with probably another 1.5 to come we wonder if we will.

If we look back over the last 3 years we can see that most of the outperformance of the long term US government bonds has cone in the last 18 months, when for the last 5 months the prices have actually been falling. So the best performance was actually when supposedly the markets were in great shape and the economy was wonderful and then we discovered a pandemic. The bond market has a habit of telling the truth whereas equity markets like stories and narratives of the day. We still the bond market is still telling us all is not well in paradise, watch out don’t get over extended.



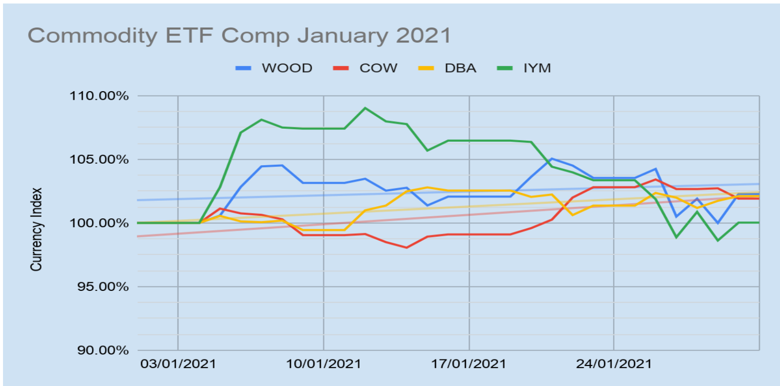
Commodities

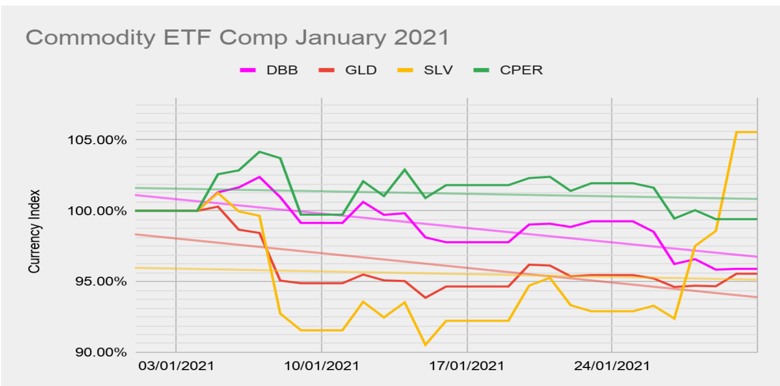
Commodities generally saw a quiet month this month as there was a bottoming and a slight rise in the USD. investors reassessed the news that Biden would have effective control of both houses and what the effects on markets that would have. The weather turned colder in the northern hemisphere and this may exert some upward pressure on energy stocks in the coming weeks. Inflation expectations still seem to be intact and this should see more appreciation in this sector going forward.



Energy prices have remained muted over the past month but as mentioned above there could be some upward pressure to come as we see colder weather in the northern hemisphere and the global roll out of the vaccine continues. Although the pace of the roll out is not as rapid as most have expected and is certainly not uniform, the production and logistical problems may extend the timeframe to the unwind of lockdowns and therefore recovery.

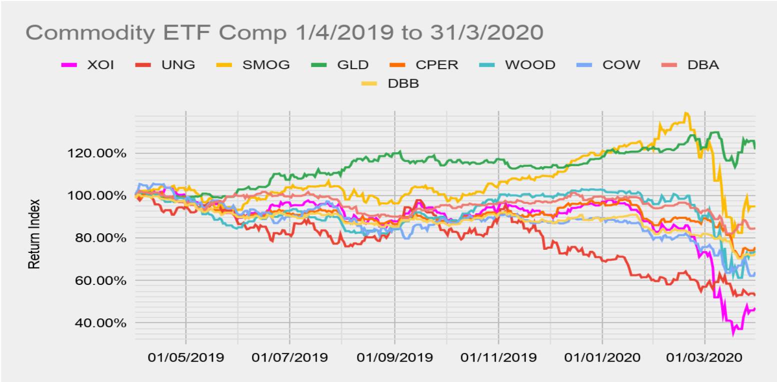
Again this group of commodities saw a very muted month with not much prive action to talk about apart from a mid month spike in the basic materials sector which turned out to be short lived. With the general fiat debasement of currencies we would still look to see rises in these over time as demand will pick up once the recovery starts and as mentioned before inflation expectations are still holding up for now.





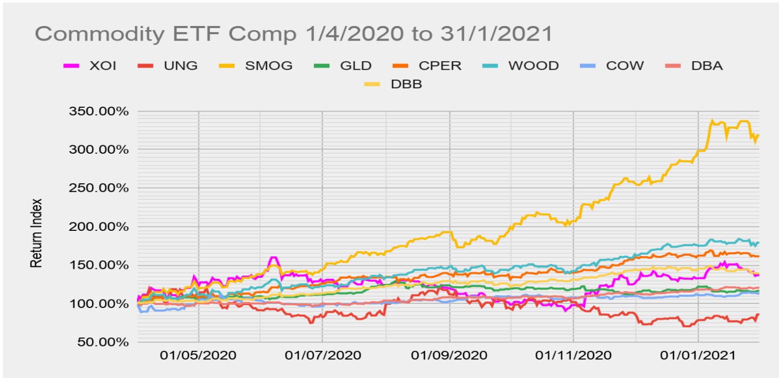
Across the metals sector again this was a fairly muted month. Gold saw a slow decline as we witnessed a stronger USD and higher real US interest rates Copper was flat across the course of the month, and Silver declined with gold until the reddit crowd decided they would try and have a go at pushing the market. They may have bitten off more than they can chew here even though the fundamental idea is good.

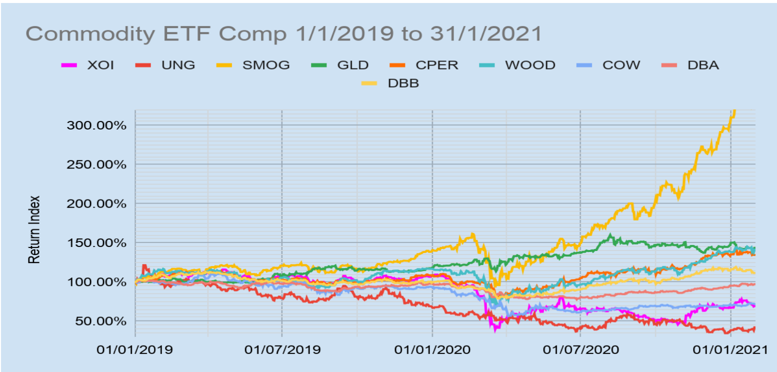
The move into ESG has left tradition energy plays trailing in its wake again. We would be inclined to think this is over done and there is still some value to be had in the traditional energy suppliers.



In the year into the run up of the pandemic we can see that commodities such as gas were already on a downward path whereas oil took a large hit when the pandemic struck. The low carbon ETF was on a good run up until the pandemic hit, then it suffered a large drawdown. Gold has had a fairly constant performance throughout this time frame. Overall oil was the worst hit commodity with Gold being the best performing.

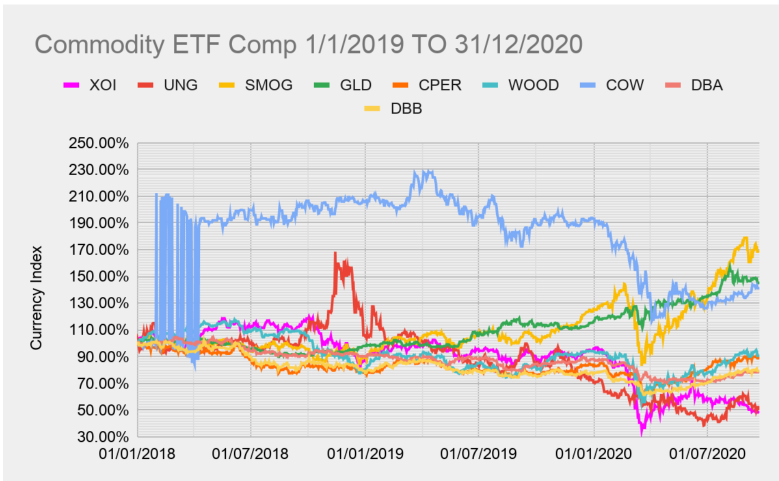
Since the initial shock of the pandemic we can clearly see here that the low carbon ETF:SMOG has been by far the top performer. Other commodity groups have performed very well as there has been a general recovery and reflation narrative in place. However maybe everyone has got a bit too far over their skis as although vaccines are being rolled out it will be a slower process than most envisage, and mutations are a concern.





Over the longer time frame of the last 2 years we can still see that SMOG is by far the best performer due to its outperformance in the last 9 months. Other commodities are a bit more of a mixed bag with oil and gas being the underperformers. There should still be value in these moving forward. They could be a useless source of income over the coming years. The reflation narrative is still in play, but we feel it will lose steam slowly.

Ignoring the COW etf due to some data confusion still smog is the best performer over this 3 year timeframe, still mainly due to its recent strong performance. Gold has been a good performer over this timeframe and we firmly believe that it holds an important place in people's portfolios for the future. We would advise to add to your holdings on the dips as we see the world having low real interests rates for a considerable time. Copper is important to watch as it will show how the global recovery is going and the infrastructure build out that is to come.



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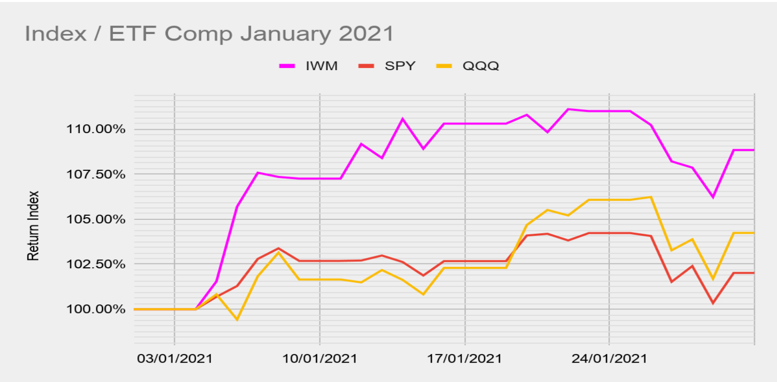
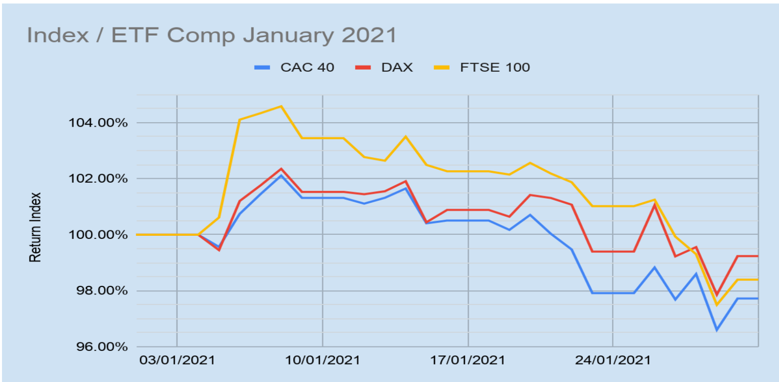
Stock Indexes

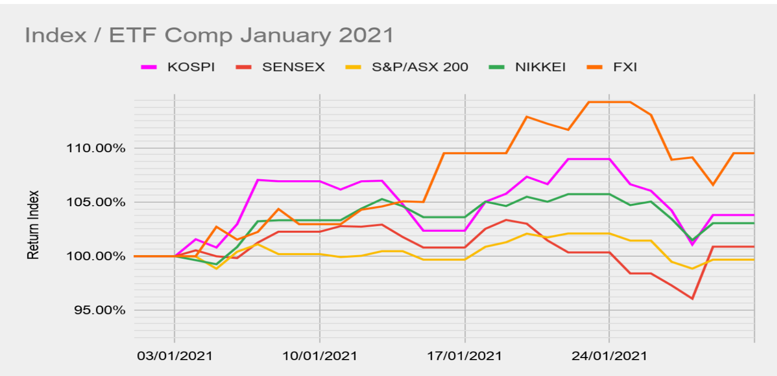
These are the local indexes of varying countries reflecting the value of the companies quoted on them, importantly in their local currency. We must always bear in mind the Index performance and the currency performance against other localities. Investing is a relative game and we like to show comparative charts to identify this and point out the opportunity cost of choosing one investment above another. For risk aspects we prefer developed markets, and prefer to enter smaller markets via investment vehicles that are located in developed markets. Liquidity can be an issue.



This month has seen the small cap market outperform by some measure. The risk on environment is still in place due to the excess liquidity that is in the financial system. Tech and the SPY were somewhat more subdued but were still positive on the month. US markets still seem the place to be as the vaccine roll out continues and there is deemed to be less structural issues to hinder the recovery. We still favor these markets moving forward.

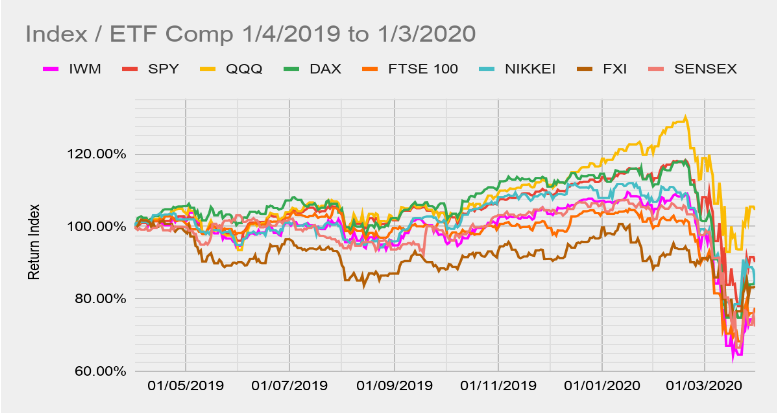
European markets have fared not quite as well this month as there are doubts about the speed of the recovery here as the vaccine roll out especially in mainland Europe is somewhat retarded, and there are quite widespread lockdowns still in place which of course will delay the recovery. The UK is still struggling with Brexit issues , where the EU are seemingly being particularly difficult and are likely to try and hurt the UK financial sector.





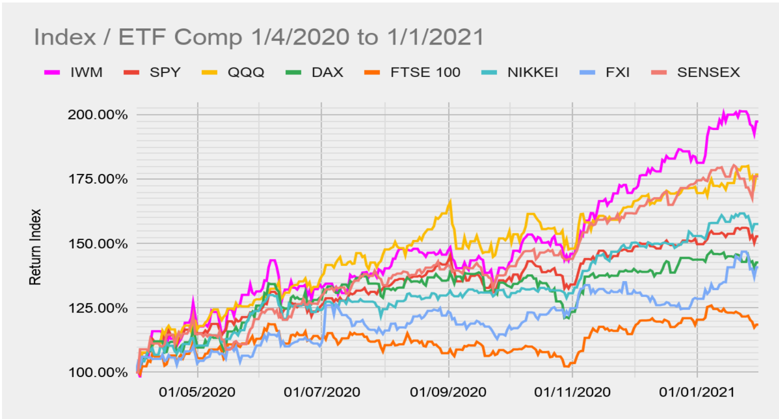
China has been the best performer this month playing catch up..Other markets have been much more muted this month though generally positive. The USD has seemed for now to have found a bottom which has helped to limit the rise in these markets. In the long run we still like Indian as a market, but this is a very long term view and entry points should be considered. All fiat currencies are being debased and the pace of this should be taken into account

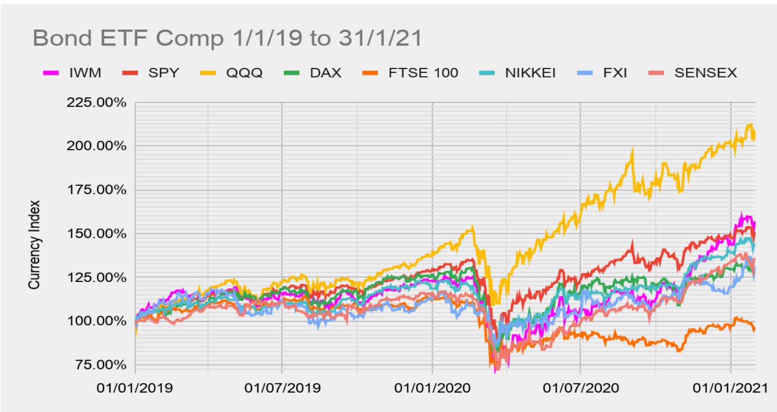
There is still a general sentiment that the central bank support and the coming fiscal support will be good for risk markets , however risk is rising as we get higher, hedging may be wise. For a big picture look:



In the year leading up to the global pandemic, we can see that a constant performer and the best performer over this period was the US Tech sector. It fell alongside other indexes but was quickest to recover. Most indexes have struggled to recover the starting levels from this period. The US small cap market has been one of the worst performers of this time, and this has added to the value over growth story that is popular at the present time. Due to the size of help the recovery was rapid.

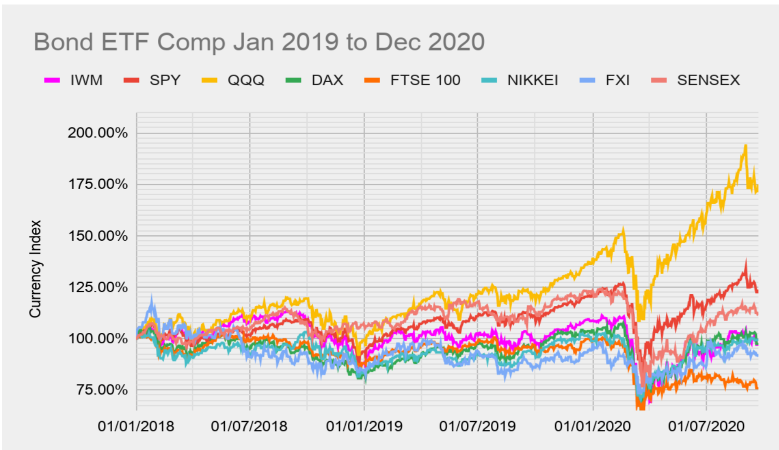
Since the start of the pandemic it has been the US small cap market that has been the best performer by some distance. The UK Index has been the laggard having the smallest rise, because of the composition of the index and also the uncertainty of Brexit. Running a close second out of these indexes is the US tech and the Indian Sensex. WE do like Indian over the long term mainly due to demographics.Europe is very much middle of the road and still has many issues it needs to overcome.



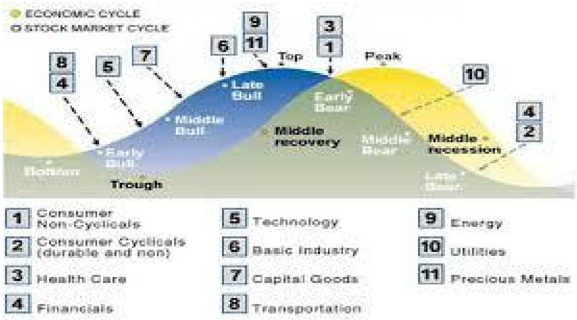


Over the course of the last 2 years we can clearly see that US tech was definitely the place to have money at work. Again the UK index was trailing in performance and was actually down over this particular time frame, This clearly shows that investors find it very difficult to put money to work in markets that have uncertainty hanging over them. Generally US markets have been the place to have money at work over this period as the FED had reversed course in their monetary policy.

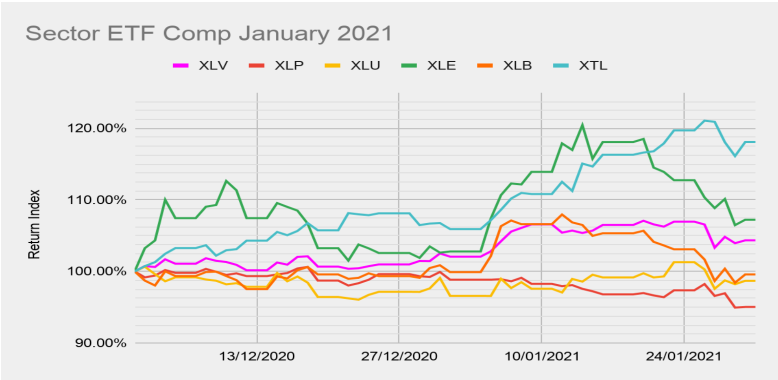
Over this longer 3 year timeframe we can also see a very similar story with some slight differences. The US small cap market has not performed as well over this longer period as it was hit quite hard by the late 2018 drawdown as the FED was trying to roll down its balance sheet. Most markets are flatter than they were of the shorter periods as well. US tech is the best performer and investors still seem happy to own this sector even at these levels. If the yield curve does steepen quickly we may see a reversal in this investment thesis.



Sectors

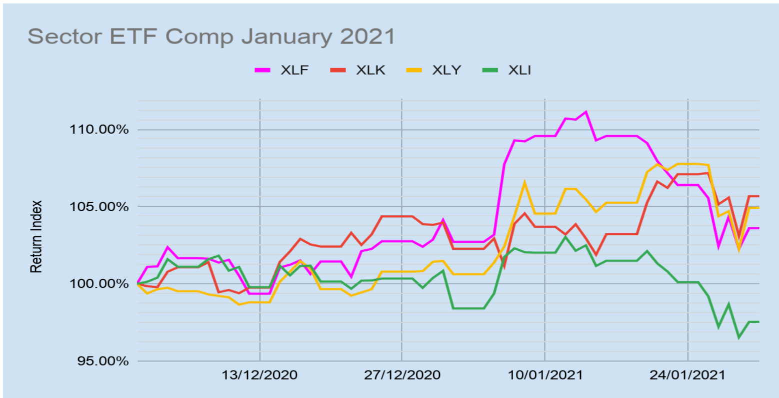


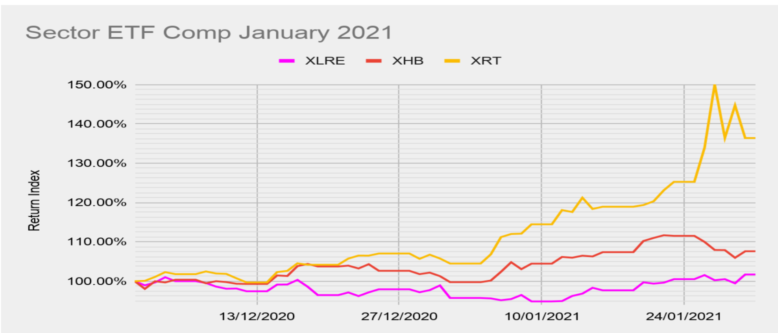
We use sectors to place stocks and other investments into categories such as technology, healthcare, energy, utilities and telecommunications. The different sectors have diverse risk profiles and perform at varying degrees throughout the business cycle. Here we shall contrast and compare the performance of the different sectors over time to help our understanding of their relative virtues with the target of augmenting our investment returns over time. We generally use US markets as these are the largest and most liquid.



The energy sector started the month of well but then had a slight pull back towards the end of the month. Telecoms were the best performers this month with a steady appreciation throughout the month. The other more defensive sectors were flat to having a small gain apart from Consumer staples which saw a small loss on the month. January was broadly a risk on month as the vaccine distribution started to roll out and hopes were high.

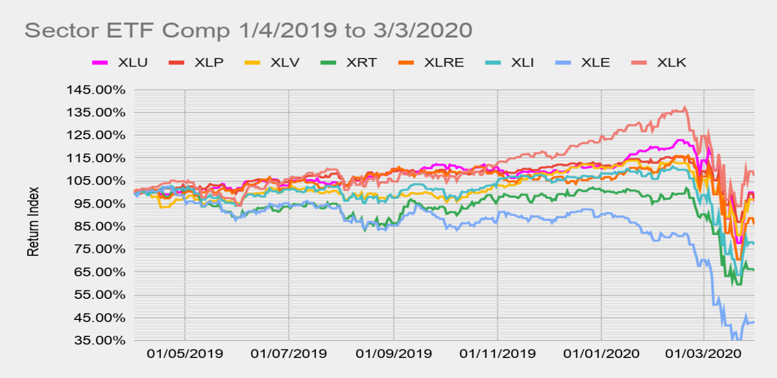
This month saw a drawdown in Industrials towards the end of the month as some investors booked profits and rotated out of this sector.Financials performed well this month as we saw a continuing steepening in the yield curve and inflation expectations remained at their highest for quite some time. Tech and consumer discretionaries also saw reasonable gains across the course of the month as markets generally drifted higher with the risk on sentiment.





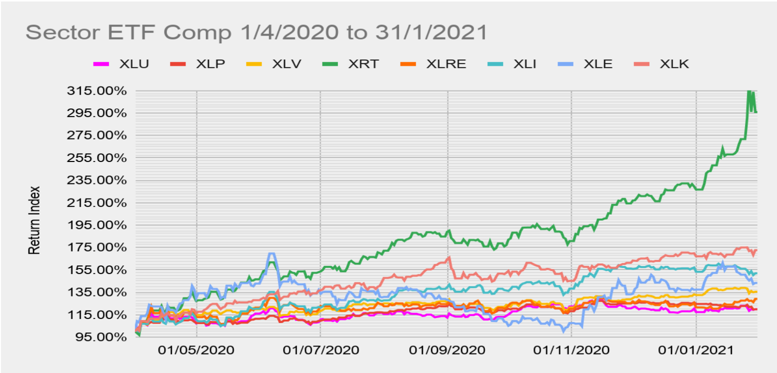
Retail was again a sterling performer this month again to ur surprise. Investors may be positioning themselves for what they see as the coming bounce back in the sector as we move to a reopening. We still do not see this being as strong and prolonged as people envisage. Real estate and homebuilders had a more subdued month but still saw gains.

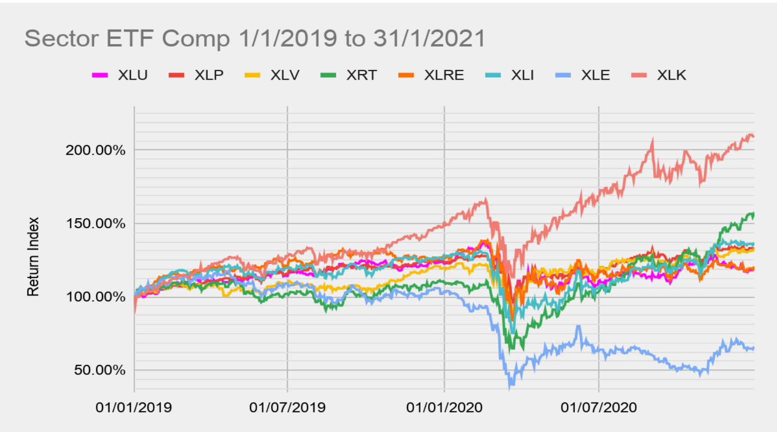
As we move into a new year with fresh hope let’s take a look back over the recent years to see where it is that the markets can potentially go and the trends that have been in place in recent history.



It is interesting to note in the year running up to the start of the pandemic that some of the trends started to show their hands quite early with the divergence of the performance of Tech and energy sectors starting to move apart in late 2019. Although there is a shift towards renewable energy this will not be as quick as people are guessing and traditional energy companies will be heavily involved in this transition. We see energy recovering more.

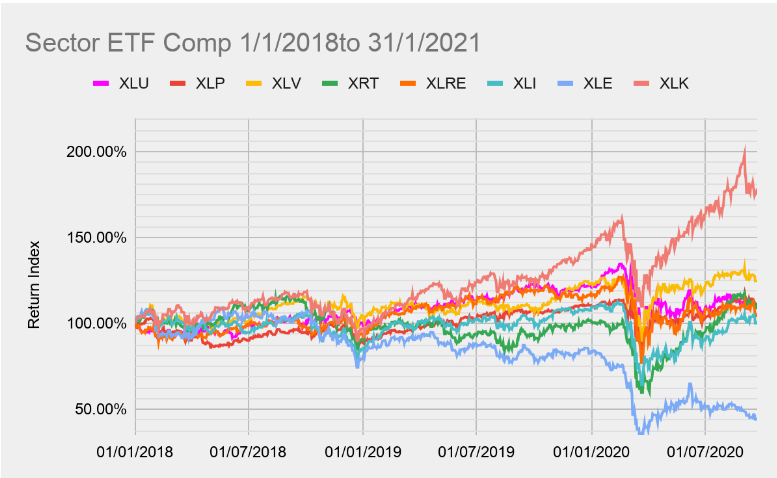
The stunning out performance since the pandemic of XRT the retail ETF has really surprised us. The managers have participated in some of the markets short squeezes, which has aided its performance but this apart it has had a really amazing recovery. This may not be reflective of the general retail market and we think that this sector may struggle to deliver a good performance moving forward especially after the initial rebound boom.





This 2 year look back at the sector's relative performance clearly demonstrates the huge variance between the top and bottom sectors and the influence this can have on your investment portfolio. Many sector have had a similar performance over the last 2 years but the Tech sector has been the runaway sector and we feel will still offer good performance moving forward. S many parts of society can benefit from technology that its market potential seems to have no limitations,

On a slightly longer look back (3 Yrs) we can see a very similar story. The Tech sector recently has seen a small drawdown which may be reflective of investors booking some profits and rebalancing their portfolios. The energy sector is a big laggard, but if the recovery is to take place and growth to improve we will see a pick up in this sector as it is the root of any future growth. Energy companies will be big participants in the move towards a greener world. Commodity price rises may help the energy sector improve their profitability going into the future.



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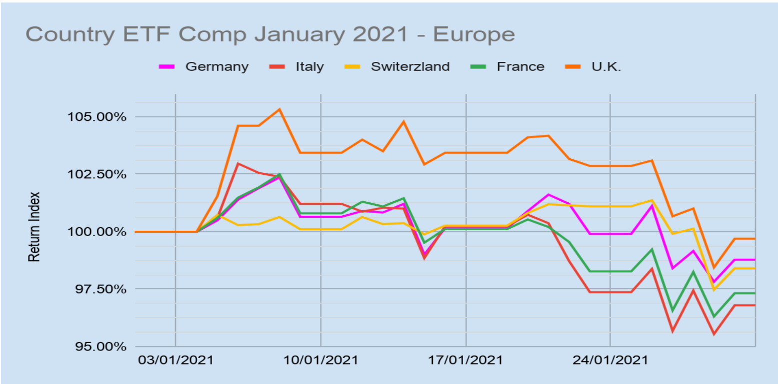
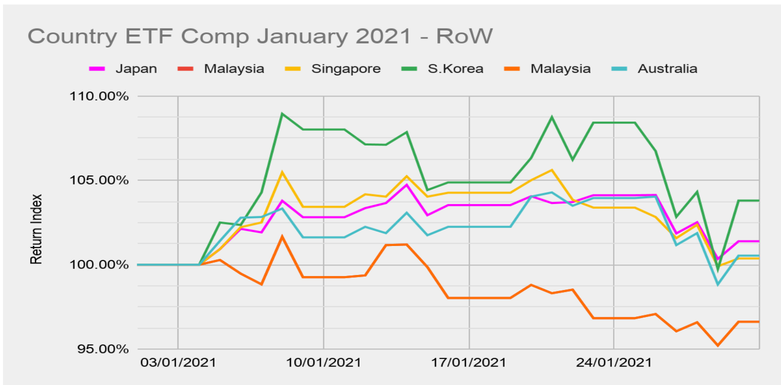
Geographic

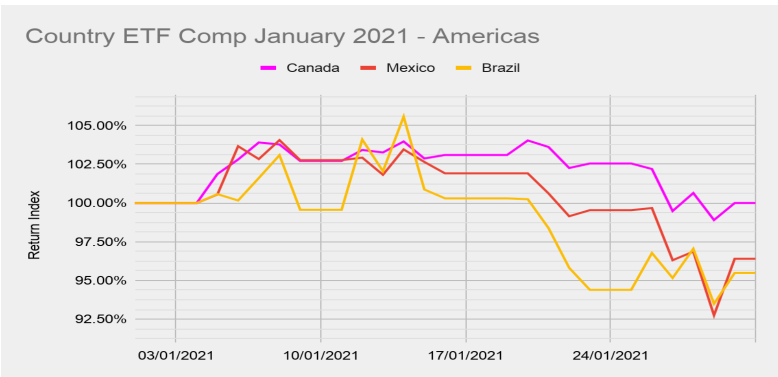
Certain countries or regions around the world will be experiencing different economic circumstances at any given time, usually. Therefore it is important to access these differences and utilise them in order to create greater returns on your capital. In this section we shall look at a range of ETFs, all quoted in USD covering varying countries around the world and look to analyse their differing performances and where they are in the economic cycle so that we may look to add value to our investment decisions



Europe was mainly flat to down slightly on the month as double dip recession worries took hold. Also concerns abounding about the slow pace of the vaccine roll out and how this would delay any future potential recovery in comparative terms with other regions that are having a more effective vaccination roll out. Again the structural issues in Europe concern us and we would still see better places to put money to work moving forward.

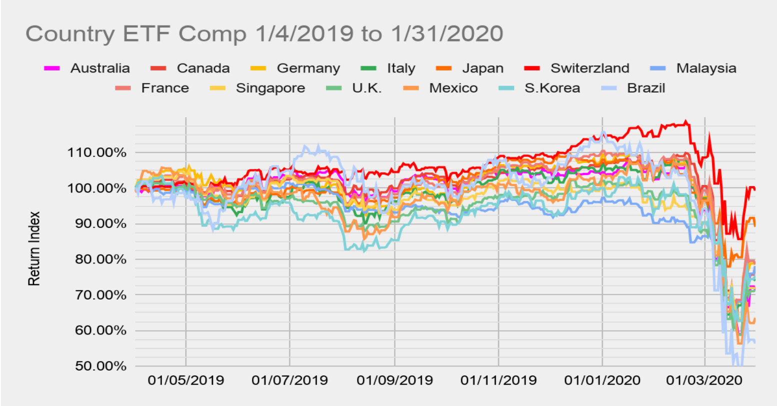
A reasonably quiet month for this particular group with South Korea being the leading performer. We still like generally the easten emerging and developed markets as they have favourable demographics over the long term and have generally coped with the pandemic much better than other parts of the world. As we see the global economy recovering this year we think it is important to have exposure in this area and would look to be overweight here.





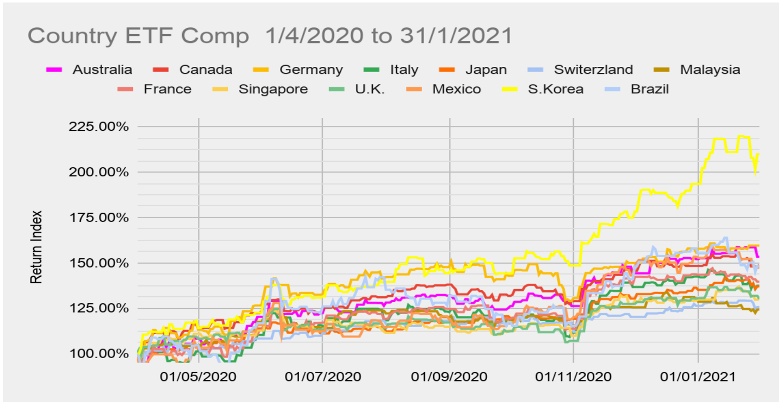
Again a quiet month in January across these markets with the South American countries faring a little worse than their Northern counterpart. The virus is still a challenge in the south america area and this may take a long time for this to be addressed and brought under control. We would hold off for now in this area until we can get some more clarity as to the outcome here along with timeframes. Better opportunities lie elsewhere.

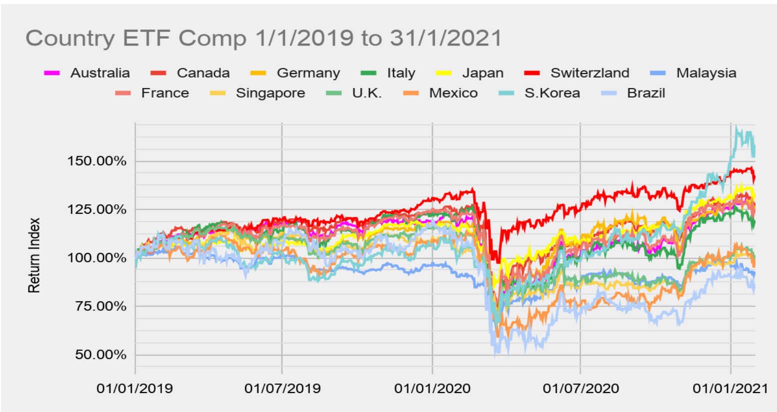
Let's step back and take a bigger picture look at the performance of the various regions leading up to and after the start of the pandemic, to see if we can gain some insight as to the possible trends moving forward.



In the year leading up to the start of the pandemic we can see that most markets were reasonably flat some up and some down all fell sharply initially but the trends that existed before the pandemic on the whole remained in place. Switzerland, a strong market going into the pandemic suffered a smallest drawdown and recovered reasonably quickly reinforcing the theory that quality remains quality no matter what the general market conditions may be.

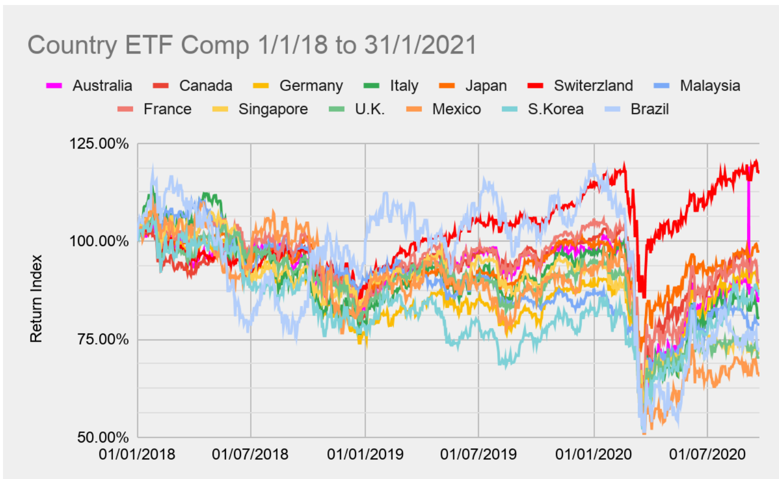
In the period after the onset of the pandemic it is clear to see that the market that has performed the best has been South Korea. This is primarily because they handled the pandemic very well moving swiftly and decisively to combat it and the economy is a high tech economy that has continued to function at a very high level. Other economies have recovered but at nothing like the rate of the South Korean economy. This shows the way of the future and should be considered when making investments.





Going back over a 2 year period roughly we can see that the majority of markets have risen above their starting points and some are still below where they were back at the start of 2019. The best performers are the quality markets of Switzerland and South Korea. Other economies must look to the example of these two and try and reshape their economies more towards these models where possible as these are markets that clients are happy to put their money to work in.

Over the longer time frame it is still the quality market of Switzerland leading the way. The majority if not all have not yet recovered their starting levels from 3 years ago which is quite an indictment on this market and where we need to look to invest money to attain results over time. The US markets have been the only real markets that have had good returns over this period and this should be noted when assessing where investors should look to allocate capital moving forward. The US market is dynamic and flexible for now.



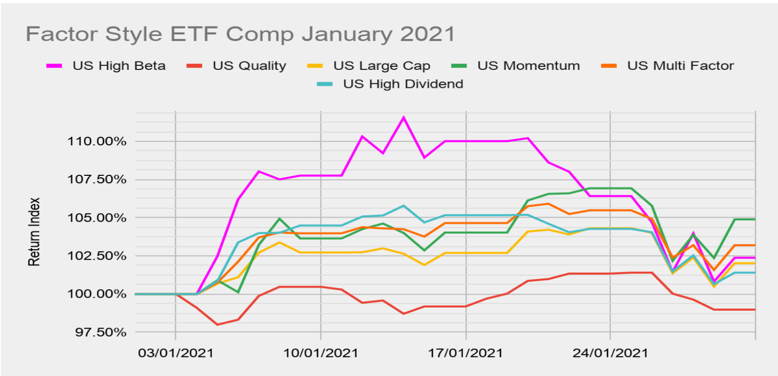
ORTEGA

The Market Wrap

January 2021

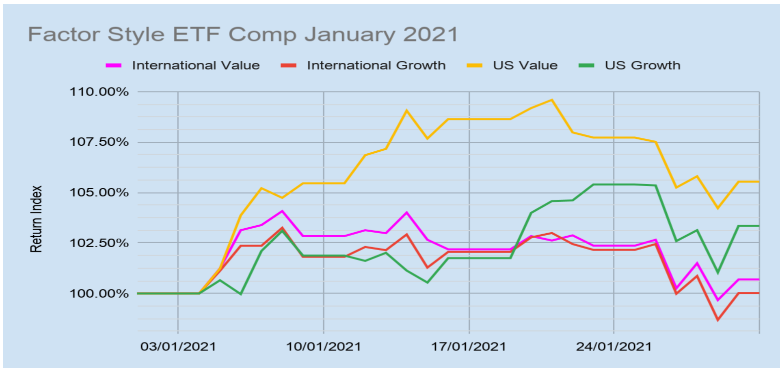
Factor Styles

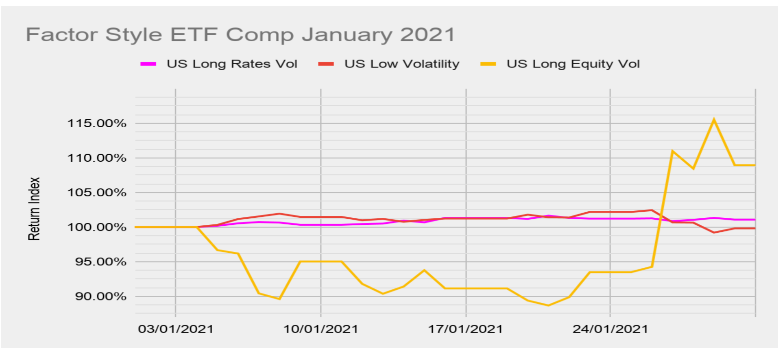
Factor investing is a strategy that chooses securities on attributes that are associated with higher returns. There are two main types of factors that have driven returns of stocks, bonds, and other factors: macroeconomic factors and style factors. The former captures broad risks across asset classes while the latter aims to explain returns and risks within asset classes. Macroeconomic factors include: the rate of inflation; GDP growth; and the unemployment rate. Microeconomic factors include: a company's credit; its share liquidity; and stock price volatility. Style factors encompass growth versus value stocks; market capitalization; and industry sector.



High beta again had a good start to the month but pulled back towards the end to finish slightly up on the month as most styles did. US Quality was the laggard this month. We still favour this region and as we appear to be in the midst of a melt up that could last well into the second quarter we would still favour the high beta play. We see inflation and growth rising over the next couple of quarters and think this style will perform the best.

This month the US Value story was still in play, but not international value as Europe saw a slowdown due mainly to further lockdowns across many countries and also a very slow start to the roll out of the vaccine. Us Growth also outperformed its counterpart and really shows that Europe is still struggling on many fronts that we feel will certainly retard its recovery from this pandemic initially and may also hinder the long term growth.



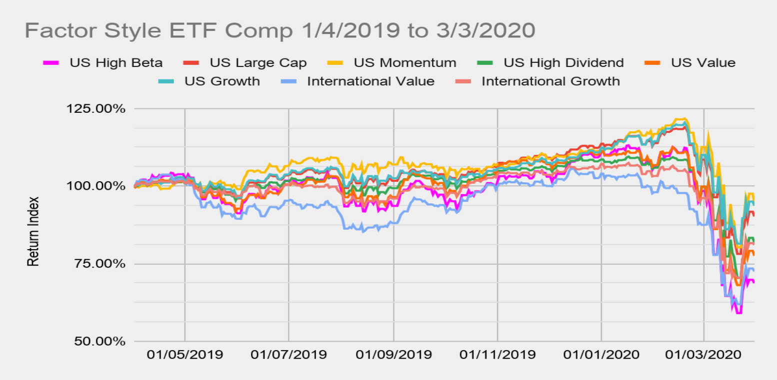


Long rates Volatility and the low volatility styles had quiet months while equity volatility saw a fall across most of the month until there was a spike towards the end of the month as there was a risk of move as we saw US yields start to rise along with general yield rises across the developed world as the inflation narrative took hold. We see this as coming more from supply bottlenecks rather than demand side.

Let us now take a look over the longer time frames and see how we can look to utilise volatility as a hedge. Fundamentally there are just 2 asset classes, short volatility and long volatility.

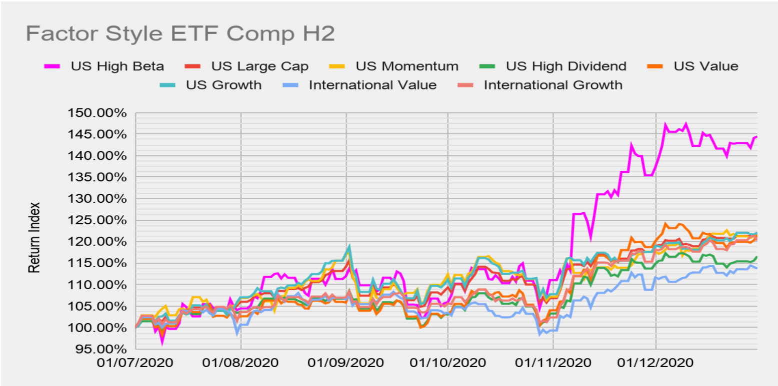
The Market Wrap

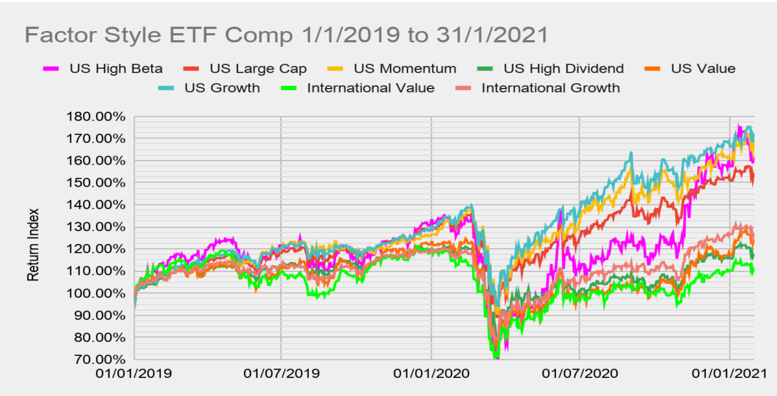
January 2021



In the year leading up to the pandemic we saw rather steady progress across most styles with no particular stand outs , momentum was leading the way over this period. The pandemic drawdown saw a large initial sell off across most styles with high beta suffering heavily and momentum was the best in the initial recovery. International value was the laggard going into the pandemic and is still a place we are not as keen as everyone else.

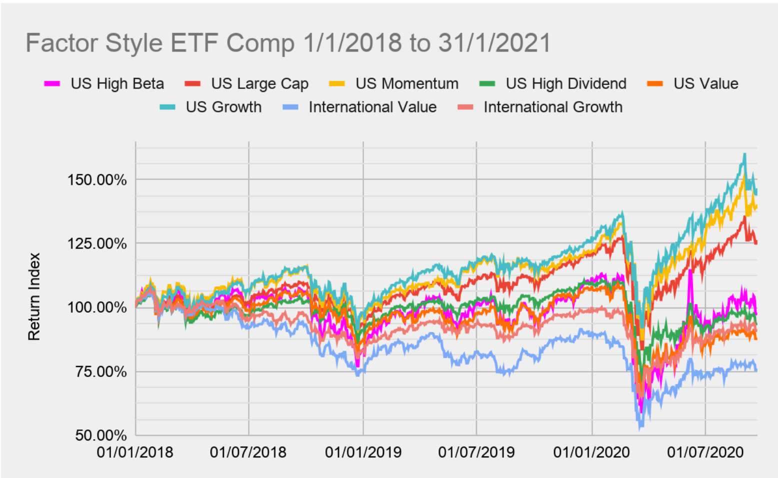
In the period after the pandemic we can clearly see how the US high beta style has led the markets higher having an oc=ver 200% rise over this period. The next closest are US momentum and US growth, which indicates that there has not as yet been any great change in the trends from before the pandemic. International value is still the laggard despite all the talk of the value rotation and how growth is over valued at the present time.

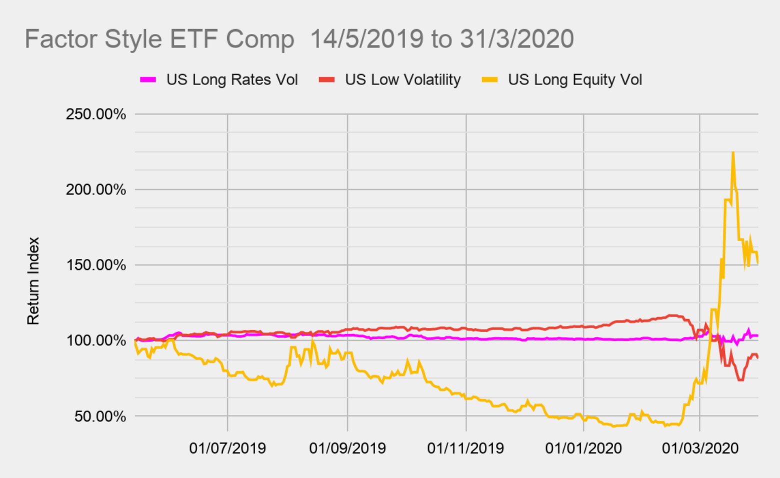




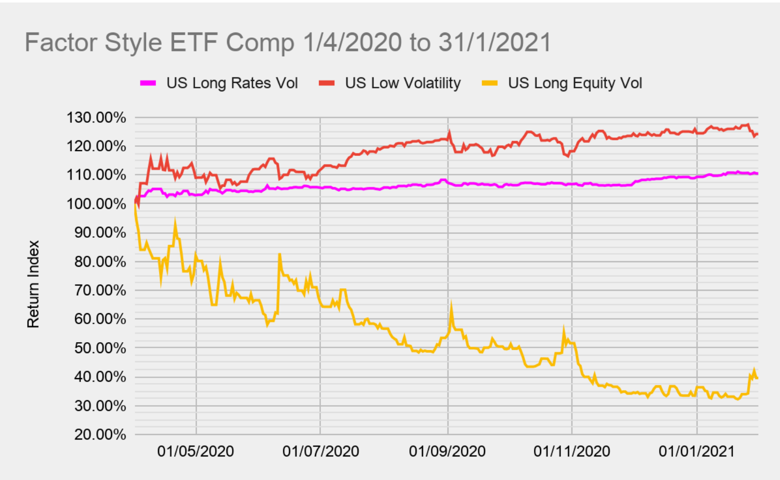
When we have a 2 year look back we can again see that the trends are still in place where US high beta,momentum and growth are the stand out performers and have a large advantage over the other factor styles. International value brings up the rear again over this time period and although using the narrative of closing the gap there is much market talk of this is the time to rotate back into this style, we are not convinced that modern=n investors and the machine will reward these companies going forward.

Over an even longer look back we see the trend still remains intact, with US growth, momentum and large cap being the winners and by quite some distance. US high beta over this period performs less well due to the higher volatility of this style. Yet again the international value style does perform the worst by some way and investors should question whether moving forward this rotation trade being suggested will stand up as since the pandemic things have changed but only towards the use of more technology and innovation. Time will tell.





In the year leading up to the pandemic both long rates volatility and US low volatility factor styles had reasonably quiet years with small appreciation over the period. As the pandemic took hold US low volatility took a hit initially but started to recover quickly as the authorities moved to address the problems. Long rates volatility was much quieter throughout this stage not suffering such a drawdown and appreciated soon after. Long US equity volatility was down over the majority of the lead up period but started to pick up as the pandemic hit and spiked as it took hold.



Over the course of the year after the pandemic struck we can see that US low volatility recovered quickly and had a fairly steady rise throughout the course of the following period. Long rates volatility has a very steady and gradual appreciation after the pandemic and has not suffered any volatility in its performance. Long US equity volatility has seen a fairly consistent down trend over the period with an occasional spike.

Summary : January the first month of the year saw the new US government gain effective control of both houses and thus making them a more effective government. They will push through another aid package before the end of March. Probably cheques will be paid to the public in April. Vaccine programs started around the world with a large disparity of effectiveness and this will influence the speed of recovery in the differing countries and regions. However for the world to return to any kind of normalcy the whole world will need to be vaccinated and this will take years likely so the thought of a quick return to where we were before the pandemic may be over optimistic. We must also bear in mind that where we were before the pandemic was not a great place economically as the global economy had started to roll over. The risk on trend still is in place with fluctuations between value and growth, with value seemingly winning out at present as the market sees interest rates rising as they are believing that inflation is around the corner. The commodity trade still has momentum and many believe that this is only the start of what could be a new super cycle.

The USD is still very important to decide what will play out in these markets and as previously mentioned any breakout of the 89 to 92 range on the DXYwill be important to indicate what will happen. Gold seems to have hit a ceiling and is starting to roll over as the market sees nominal rates rising and also real rates. We do not think that real rates can rise to over zero for quite some time and so are still quite bullish in gold but shall look for a better entry level as we can see the price falling in the short term and only see it rising later on this year.

There is lots of hope around at present and for the short term we do see both Inflation and growth rising as we start to come out of this enforced slump. However after the initial rebound we do see a much tougher road ahead than most envisage. By the end of this year we see the initial impetus will have subsided and then we shall see a slowing in the rate of change of both growth and inflation.

Market Insights

2021 - Growth, inflation and hope

This year will be a story of if the real economy can turn the hope into growth and whether we shall finally see inflation raising its head and if that inflation will be sustainable. The market is already starting to price in inflation expectations that are higher than they have been for years. This will surely happen in Q2 just because of base effects alongside the reopening of economies as the vaccine programs around the world start to have a material effect on the pandemic. Whether these are going to be sustained will be decided by aggregate demand. At present the governments are supplementing this demand but this is not a situation that can carry on for a long time. The private sector will need to start picking up if this is going to be a sustainable recovery.

We see hurdles ahead for the private sector as debts have piled up here and there are many situations that need to be addressed with regard to back rent and mortgage payments and the ability of people to meet these and still be able to do so moving forward. We are certainly not out of the woods yet and with the insolvency situation still pending we shall need to be aware of this and watch it closely.The amount of debt now outstanding in both government and private sectors is quite stunning and this will have a limiting effect on possible growth moving forward.

The governments are slowly realising that the clock is ticking and they need to get economies rolling so that they have a chance of a quick recovery and thus the governments can take a step back. If this does not happen we can see possible issues arising in sovereign credit markets which would have knock on implications across the board. Growth will accelerate this year but the question is can the private sector recover enough to replace the part that governments are having to fill in this growth story which at present is somewhat artificial and inherently unproductive

With both inflation and growth accelerating throughout at least the first half of this year we generally see a positive equity story for this period and would envisage that bond yields will rise until they reach a point where the governments and central banks of the world may become uncomfortable with their levels. At this stage we could see a pullback in equity markets as the more susceptible sectors such as growth stocks retreat as yields rise. This will be a fine balancing act to conduct and there could be a fair amount of volatility around these levels.

The recovery of aggregate demand will be imperative to sustain any recovery and the scarring on the economy that has taken place will only start to reveal itself once we have gone through the initial recovery stage. There are still supply issues around the world and these will take time to work themselves out. We do see inflation initially being attributed to these challenges and once they have worked themselves outer would envisage that inflation does start to slow. Oil prices obviously will play a large part in this story and both OPEC and the US shale sector appear to have supply available to them that they can bring back on line as demand rises, how quickly they decide to do this will have a bearing on the oil price.

We do see a slower recovery than most after the initial surge as there is a large unevenness in the vaccine rollout around the world and this will impose limits on the global recovery until we can see a world that is safe from Covid. There could be very regional economies for some time yet to come, and until there is complete global confidence, this we see slowing the recovery. There are still many unknowns bit slowly surety is taking hold and this will bring back confidence. How many if the enforced changes will stay in place in society is as yet unknown but it does seem for sure that our awareness has been raised and this will result in differing behaviours. How different only time will tell. Technology will still be the main driving force moving forward and should be recognised as such, Older more dated businesses have a place but this may be shrinking in what will be a new future.

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Once again thank you for your time and see you again next month.

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