How we did in 2020

Our Prediction	What Happened	Score
Global growth continues to slow. As the business cycle becomes ever more extended and the impact of protectionist policies continue to weigh on trade, global growth will slow towards 2.8%. US growth will continue to slow to 1.7% in 2020 as higher corporate debt weighs on business investment and the fiscal tailwinds of prior years abate.	Global growth slowed through the first quarter of 2020 and there was a significant contraction of -4.4% in global GDP with UK growth declining -20.4% in the second quarter. Growth declined as governments enacted extraordinary restrictions on economic and personal activity to control the spread of covid-19 and prevent medical services from being overwhelmed.	**2/5**
Protectionism likely to limit future growth. As trade protectionism continues to be used as a policy tool, the rapid growth of globalisation will start to reverse. Global trade has been a driver of growth in recent decades; however, the benefits have not been felt by all and domestic populism is likely to further exacerbate protectionist policies. There will be continued disputes regarding ownership of technology as countries and regions battle to control crucial operating systems as has been demonstrated through Huawei and the new 5G network.	China's 5 year economic plan makes it a priority to develop their own technological hardware so they are no longer reliant on US suppliers as the US has limited access to crucial components. The UK has joined the US in banning Huawei from involvement in the 5G rollout to protect the system from foreign interference. The separation of technology between China and the developed world will weigh on future growth and productivity.	**5/5**
Central banks remain accommodative. Central banks globally will continue to pursue policies that seek to promote growth and reduce the impact of any downside risks. Following multiple rate cuts and further quantitative easing, it is likely that some central banks may have to utilise further unconventional policy tools. As such, sovereign bonds remain attractive even at low yields and weightings will increase in investor portfolios.	Central banks took unprecedented action to protect economies from the impact of covid-19 restrictions and to ensure the functionality of the global financial system. Interest rates have been cut by over 4000 basis points and quantitative easing has been increased. Central banks have also pursued innovative policies including purchasing corporate debt and yield curve control to ease financial conditions further.	**5/5**
Environmental, Social and Governance (ESG) factors are an increasing focus for investors. ESG factors will increasingly become a key feature in investment decisions. There are substantial opportunities for investors as countries legislate to bring net carbon emissions to zero, with businesses that facilitate lower carbon output and alternative power sources well placed to drive returns.	Investor returns from exposure to companies in the renewable energy sector have been over 50%. Demand for these businesses has increased further as a significant proportion of fiscal stimulus is being directed to a green recovery. 30% of the EUR1.8 trillion EU recovery fund must be allocated to renewable energy and low carbon schemes.	**5/5**

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Search for real yield. Bond yields and interest rates remain low and will be lower for an extended period. Investors requiring yield will continue to be driven towards different asset classes in search of real yield. Bond proxy stocks and property will continue to benefit from fund flows as investors and pension funds seek yield levels that will provide income in real terms.	Bond yields and interest rates have declined further as central banks cut rates to record lows. Over $17 trillion of sovereign debt has a negative yield and investors have had to transition to riskier asset classes including equities to provide income.	**5/5**
UK will benefit from political clarity. Following a decisive victory for the conservatives in the December election investors have started to return to the UK. The end of the political malaise should lead to an increase in business confidence and reinvigorate business investment. The substantial majority will enable the government to refocus on domestic issues and push through their fiscal stimulus plans. Sterling should trade in a tighter range following the elevated volatility in 2019 with an appreciating bias.	The response to the pandemic and associated economic impact has been the main focus of the government. Sterling declined to multi-year lows at the height of the crisis as investors sought safety in the US dollar; sterling closed the year at one year highs.	**2/5**
Advancing technology will continue to disrupt. The secular trend of accelerating technological advancement and its integration in daily life continues to offer opportunities. The adoption of 5G through 2020 and the internet of things will enable companies to drive efficiencies and the cyber security industry will continue to thrive.	Technology enabled economies to function even as lockdowns were imposed. Applications such as zoom became crucial to friends and families interacting and companies operating from people's homes. The pandemic has accelerated the use of technology in everyday life.	**5/5**
Geopolitical events pose a risk to markets. In 2019 markets looked through negative political events in the expectations that central banks would adjust policy to negate negative impacts. As central banks capacity to provide stimulus reduces, political events are likely to impact markets. Further trade negotiations are between the US and China as well as the potential for the phase 1 dispute mechanism to be triggered, not to mention the US election, are events which could present negative surprises.	The global covid-19 pandemic was the main driver of global markets in 2020. The phase 1 trade deal remains in place however the US took uniliteral action against Chinese technology companies including TikTok. Financial markets reacted positively to the US election result as there was a clear outcome and a split congress reduces the likelihood of tax rises and increased regulation in the near term.	**4/5**

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Consumer consumption remains robust. As unemployment remains at historic lows and household balance sheets remain strong aided by low rates, we expect consumer demand to be resilient and continue to be one of the main growth drivers in both the developed and developing world.	Consumer spending declined as economies locked down and leisure and travel spending ceased. As economies reopen consumer spending has rebounded driving the recovery with retail sales in China rising 5% over the prior year.	**2/5**
Safe-haven assets in a synchronised world. Correlations between equities and bonds continue to change, undermining traditional asset class diversification, downside protection and risk-rated returns. Safe-haven assets are investments that investors turn to during times of volatility and instability. Establishing what is a 'safe' asset is particularly challenging although as growth slows and inflation pressures remain minimal, gold and sovereign bonds should outperform.	Investors sought safe-haven assets as markets reacted to the pandemic. Gold has risen 20% and sovereign bond yields hit record lows globally protecting portfolios. However in recent equity market declines gold and bonds have offered minimal protection as correlations breakdown. Exposure to currencies including the Japanese yen and US dollar has offered downside protection.	**5/5**