

# Views for 2021

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## Our Predictions

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- 1. Global economic recovery.** As multiple Covid-19 vaccines are distributed, this will enable the removal of restrictions and a return to normality. Global economic growth will rebound to 6.4% in 2021.
- 2. Policy Error is the greatest threat to stability in financial markets this year.** Financial markets and business have been supported through the pandemic by central bankers and policymakers' prompt and unprecedented actions. If ongoing support fails to meet expectations, or is withdrawn, this will cause severe volatility across financial markets.
- 3. Digital adoption accelerates.** The pandemic led to a multi-year acceleration in digital adoption, and this will continue as technology is now an integral part of everyday life. New developments in healthcare technology and artificial intelligence will be at the forefront of the digital transition.
- 4. Environmental, social and governance (ESG) factors growing in significance.** As economies transition to zero carbon and there is more focus on corporate behaviour ESG will be core to investment decisions. There are significant opportunities for investors in the supporting the development of the new green economy.
- 5. Search for stable income.** As bond yields remain at historic lows with central bank policies designed to hold rates lower for longer; investors in search of real stable income will be driven towards riskier asset classes. Income streams from equities and property will replace traditional bond distributions.
- 6. Fiscal programs will be a prominent driver of markets.** Economies have been supported by substantial levels of fiscal spending as government programs have limited the full economic impact of the virus. Those countries that continue to support their economies with further spending and innovative programs will outperform peers.
- 7. Emerging markets will outperform.** Emerging markets will continue to outperform developed markets in 2021 as growing levels of middle class stimulate consumption and there will be less economic scaring from the pandemic. Emerging markets will further benefit from a weaker US dollar and rising commodity prices.
- 8. De-globalisation trend continues, development of local champions** - The relationship between the US and China will continue to be fractious even with the inauguration of President Biden as China seeks to develop its own local technologies and internal demand. The pandemic illustrated the limitations of global supply chains and the trend of increasing local manufacturing and sourcing will continue.