Global Market Outlook 2021
Q1 update

After last year's false start, the prospects for a sustained reopening of economies through the second half of 2021 appear promising. The vaccination rollout as well as prior COVID-19 infections mean 60-70% of the population in most developed economies should have some immunity by early in the third quarter. This, plus the large U.S. fiscal stimulus has shifted investors from worrying that growth will be too slow, to now fearing that growth will be too fast and put more upward pressure on interest rates.

Economies appear poised to rebound sharply as restrictions are gradually lifted. As mentioned above, some market participants are concerned about inflationary pressures and interest rates potentially increasing significantly over the next 12 months, however, it is more likely that it will take until at least the middle of 2022 for the U.S. economy to recover the lost output from the lockdowns, and longer in other economies. This means that broad-based inflation pressures are unlikely to emerge until 2023. It also means that market expectations for U.S. Federal Reserve (Fed) lift-off in 2022 are premature, with late 2023 or early 2024 a more likely timing for the first Fed funds rate hike.

The $1.8 trillion American Rescue Plan of 2021 is set to supercharge the U.S. recovery as COVID-19 restrictions are lifted. This is equal to 8.4% of U.S. gross domestic product (GDP) and comes on top of the $900 billion stimulus passed in late December 2020. The United States is leading the charge in terms of fiscal support and as a result is likely to be the fastest-growing developed economy in 2021.

Although the rest of the world can't match the U.S. fiscal firepower, other countries will benefit from the spill-over effects of the U.S. stimulus. According to the Organisation for Economic Co-operation and Development's (OECD) macroeconomic model, the U.S. stimulus is likely to boost growth in Japan, Europe, and China by 0.5 percentage points over the next 12 months and lift global GDP growth by just over 1 percentage point.

Taking stock: Q1 2021 market overview

Market overview

Stocks encountered volatility but powered ahead in the first quarter. Cyclical stocks – those sensitive to economic momentum continued to lead, building on outperformance that began with positive vaccine news in November of last year. We see their strength continuing in the second quarter as economic signals point positive. The key propellants: a new $1.9 trillion fiscal package, continued monetary policy support, an uptick in vaccine supply and distribution, and ample corporate and consumer cash waiting to be deployed. Market participants are in the main positioning for the start of a new and powerful economic cycle – while watching for signs of a downshift once the post-COVID bounce begins a transition to trend growth.

US

US equities gained in Q1, despite starting uncertainly. Unusual, highly targeted trading activity saw markets rattled in January, before recovering as optimism over significant government stimulus took root. President Biden first confirmed a fiscal stimulus package of $1.9 trillion, which was followed up with an additional promise of $2 trillion in infrastructure spending. Energy, financials and industrials made strong gains. Technology and consumer staples lagged.

Eurozone

European equities advanced in Q1. Hopes of global economic recovery supported sectors that fared poorly in 2020, such as energy and financials. Consumer discretionary stocks also performed well, notably car makers as Volkswagen announced ambitious electric vehicle targets. Underperformers were defensive areas that are less tied into the economic recovery, such as utilities and real estate.

The flash manufacturing purchasing manager's index (PMI) for March reached a record high of 62.4, signalling strong growth. However, rising Covid infection rates in some countries, and new lockdown curbs, cast doubt on the prospects for services, notably tourism. (The PMI indices, produced by IHS Markit, are based on survey data from companies in the manufacturing and services sectors. A reading above 50 signals expansion).

UK

UK equities performed well. Lowly-valued, economically-sensitive areas of the market extended the recovery seen since November. This was reflected in a very strong performance from materials, energy and financials. Banks performed particularly well amid better-than-expected results and a sharp increase in bond yields as the global economic outlook improved.

A number of domestically focused areas of the market also outperformed as the forward-looking data for the UK economy improved. The IHS Markit/CIPS composite PMI rose in March to 56.6. This signified the fastest rate of economic expansion for seven months ahead of the easing lockdown measures towards the period end.

Taking stock: Q1 2021 market overview

Japan

Japanese equities continued to rally as visibility on the corporate profit recovery improved after a strong set of quarterly results. Sentiment was also helped by the consistent weakness of the yen against the US dollar. The market was led by cyclical sectors and lower quality value style stocks, partly in response to early indications of changes in global interest rates and inflation expectations.

There is now an increasing likelihood of the Tokyo Olympics being held, although the government confirmed that international spectators will not be allowed to attend.

Asia (ex Japan)

The MSCI Asia ex Japan Index recorded a positive return amid continued investor optimism for a return to economic normality. However, sentiment weakened towards the end of the quarter as slower vaccination rollouts led to the reintroduction of lockdown restrictions in some countries. The best performing markets in the index were Taiwan, where strong performance from IT names supported gains, and Singapore, where banks underpinned returns.

The Philippines was the weakest index market. A sharp rise in daily new cases of coronavirus resulted in tighter restrictions, weighing on the outlook for the services-oriented economy. In China, expectations for policy normalisation, regulatory uncertainty for certain industries, and ongoing geopolitical concerns dampened sentiment.

Emerging markets

Emerging market equities (EM) registered a positive return in Q1. This was despite weakness later in the quarter as EM vaccine programmes lagged developed markets. A pick-up in daily new cases of Covid-19 led to renewed activity restrictions in some countries. Meanwhile, a marked increase in US Treasury bond yields pressured higher growth areas of the equity markets and accompanying US dollar strength was also a headwind for EM.

Chile, aided by copper price strength, and a strong start to vaccine roll-out, was the best-performing index market. Turkey, where the central bank governor was unexpectedly replaced, recorded a sharp fall and was the weakest index market. Brazil and China also finished in negative territory.

Taking stock: Q1 2021 market overview

Global bonds

Bond yields rose markedly in Q1 amid swift continued rollout of Covid-19 vaccinations, particularly in the US, EU and UK, and expectations of a large US economic stimulus. It was the second worst quarter since 1980 for US Treasuries, with other markets also seeing large moves.

The 10-year US Treasury yield rose from 0.91% to 1.74%, while the 2-year yield rose only modestly. As such, the yield curve steepened, indicating rising growth expectations. The UK 10-year yield increased by 65 basis points (bps) to 0.88%.

In Europe, where the vaccination programme is some way behind the US and UK, the German 10-year yield increased from -0.57% to -0.33%. Italy's 10-year yield rose from 0.52% to 0.63%, which reflected some political uncertainty. Spain's rose from 0.06% to 0.34%.

Corporate bonds outperformed government bonds. Investment grade made negative total returns, the US dollar market particularly, as yields rose. High yield produced moderate positive returns amid healthy risk appetite and rising growth expectations. Investment grade bonds are the highest quality bonds as determined by a credit rating agency; high yield bonds are more speculative, with a credit rating below investment grade.

Convertible bonds, with a bias towards growth and IT companies, did not participate significantly in equity market gains. The balanced Refinitiv Global Focus index showed a steady gain of 0.8% (in US dollars) for the quarter. The primary market remained very active with a volume of more than $60 billion of inflows coming to the market. Valuations cheapened, partly driven by lower demand for US convertibles.

Commodities

In commodities, the S&P GSCI Index rallied strongly in Q1 as the global roll-out of Covid-19 vaccines continued to spur investor optimism for economic recovery. This was in spite of a stronger US dollar.

Energy was the best-performing index component, driven by strong performances from unleaded gasoline and Brent crude on the back of higher demand and continued controls on supply. Industrial metals also recorded a robust return, led by strong gains for aluminium and copper. The agricultural sector achieved a positive performance, with robust gains for corn and soybeans.

The precious metals component was lower, with sharp declines recorded by both silver and gold.

Taking stock: Q1 2021 market returns

Overview

Total returns (net) % – to end March 2021

	3 months			12 months		
Equities	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
MSCI World	4.9	9.2	4.0	54.0	43.8	38.4
MSCI World Value	9.6	14.1	8.6	48.3	38.4	33.3
MSCI World Growth	0.2	4.4	-0.7	58.2	47.7	42.2
MSCI World Smaller Companies	9.4	13.9	8.4	81.4	69.4	63.1
MSCI Emerging Markets	2.3	6.5	1.3	58.4	47.9	42.3
MSCI AC Asia ex Japan	2.7	6.9	1.8	57.3	46.9	41.4
S&P500	6.2	10.5	5.2	56.4	46.0	40.5
MSCI EMU	4.7	9.0	3.7	54.2	44.0	38.6
FTSE Europe ex UK	3.4	7.6	2.4	50.1	40.1	34.9
FTSE All-Share	6.2	10.5	5.2	41.0	31.6	26.7
TOPIX*	2.1	6.3	1.1	38.9	29.6	24.8

	3 months			12 months		
Government bonds	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
JPM GBI US All Mats	-4.6	-0.7	-5.5	-5.1	-11.4	-14.7
JPM GBI UK All Mats	-6.5	-2.7	-7.4	5.0	-2.0	-5.6
JPM GBI Japan All Mats**	-7.0	-3.2	-7.9	-3.3	-9.7	-13.1
JPM GBI Germany All Traded	-6.4	-2.5	-7.2	5.5	-1.5	-5.2
Corporate bonds	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
BofA ML Global Broad Market Corporate	-4.3	-0.4	-5.2	11.8	4.3	0.4
BofA ML US Corporate Master	-4.5	-0.6	-5.4	9.3	2.0	-1.8
BofA ML EMU Corporate ex T1 (5–10Y)	-4.7	-0.8	-5.6	18.8	10.9	6.7
BofA ML £ Non-Gilts	-3.2	0.8	-4.1	19.0	11.1	7.0
Non-investment grade bonds	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
BofA ML Global High Yield	-0.1	4.0	-1.0	25.7	17.3	12.9
BofA ML Euro High Yield	-2.5	1.6	-3.4	31.0	22.3	17.7

Source: Thomson Reuters DataStream.

Local currency returns in Q1 2021: *9.3%, **-0.5%.

Past performance is not a guide to future performance and may not be repeated.

APT Q1 2021 FUND UPDATE

Active Global Equity Funds	Q1	1yr	3yr	5yr	2020	2019	2018	2017	2016
Canada Life Setanta Pension Equity	12.0	42.4	9.0	9.4	-4.1	21.1	-4.6	8.0	15.3
Irish Life Active Global Equity	11.9	42.1	9.0	9.4	-4.2	21.0	-4.4	8.1	15.3
Friends First International	10.6	46.6	12.0	11.4	1.9	26.8	-4.5	11.5	7.4
Merrion IM Global Equity	9.1	56.4	15.5	11.5	20.5	26.4	-10.8	4.7	0.0
Standard Life Global Equity	6.7	35.7	9.4	7.3	-0.7	32.5	-12.8	7.0	-1.6
Zurich Life International Equity	5.9	46.8	15.5	13.5	15.4	28.9	-5.5	9.3	10.0
Navigate High Growth Fund	9.0	42.1	11.7	10.6	3.4	26.5	-6.4	7.4	11.4
Index: MSCI World Index	**9.2**	**43.8**	**14.5**	**12.7**	**6.3**	**30.0**	**-4.1**	**7.5**	**10.7**

Passive Global Equity Funds	Q1	1yr	3yr	5yr	2020	2019	2018	2017	2016
Navigate Low Volatility Equity Fund	5.0	17.1	9.6	7.6	-5.1	25.5	1.2	3.5	11.4
Navigate Quality Equity Fund	15.9	48.3	10.7	10.4	-3.7	24.9	-7.3	4.3	14.9
Navigate World Equity Fund	9.2	43.7	14.5	12.8	6.2	30.0	-4.2	7.8	11.4
ILIM Index World Equity - IWE	9.3	44.7	14.0	12.6	6.2	29.4	-4.6	8.5	11.5
State Street World Index Fund	9.2	43.9	14.2	12.5	6.4	29.5	-4.7	8.1	10.7
Stan. Life Vanguard Global Stock Index	9.9	43.1	14.4	12.4	5.5	30.6	-5.6	7.6	11.1
Index: MSCI World Index	**9.2**	**43.8**	**14.5**	**12.7**	**6.3**	**30.0**	**-4.1**	**7.5**	**10.7**

Active Managed Funds	Q1	1yr	3yr	5yr	2020	2019	2018	2017	2016
Aberdeen Standard MyFolio Active V	6.8	34.2	7.2	6.3	1.9	20.8	-9.6	7.9	0.7
Aberdeen Standard Pen Managed Fund	5.8	31.4	9.4	8.3	5.2	22.5	-6.9	9.3	1.1
Aviva MAF Dynamic	6.4	31.8	6.4	5.7	0.8	19.6	-9.0	5.5	3.8
Davy DAM Select Managed	5.6	28.2	11.4	9.4	6.3	22.1	-2.0	6.4	6.3
Davy GPS Long Term Growth Fund	7.7	35.0	9.7	8.2	7.6	19.0	-7.1	7.1	3.0
Friends First Magnet Portfolio Fund	5.5	26.3	6.4	6.5	0.3	18.3	-5.9	7.1	6.6
Friends First Mixed Fund	7.0	34.6	9.2	8.5	3.0	21.1	-4.6	8.2	5.2
ILIM MAP 5	5.5	25.4	5.5	7.2	0.4	14.8	-5.0	11.0	8.7
ILIM Pension Managed Fund	6.0	23.1	6.6	6.9	-0.7	15.3	-2.1	5.8	9.2
LGIM Multi-Index V Fund	6.8	34.8	8.9		1.3	23.4	-6.6	8.5	
Merrion Managed Fund	6.7	44.6	13.0	9.4	21.7	19.2	-8.9	4.4	-0.7
New Ireland iFunds 5	6.1	29.7	8.2	8.1	3.1	18.7	-5.4	6.9	10.6
New Ireland Pension Managed Fund	11.9	37.4	7.7	7.8	-3.1	19.6	-7.1	7.6	9.6
Setanta Managed Fund	7.7	29.1	6.5	7.2	-3.1	16.1	-2.7	6.8	12.2
Zurich Performance Fund	5.0	39.7	13.4	11.4	13.7	23.9	-4.5	8.2	6.7
Zurich Prisma 5 Fund	5.5	41.8	12.9	11.5	10.9	26.5	-6.2	7.7	11.3
APT Peer Group Average	**6.6**	**33.0**	**8.9**	**8.2**	**4.3**	**20.0**	**-5.8**	**7.0**	**6.3**

APT Q1 2021 FUND UPDATE

Passive Managed Fund	Q1	1yr	3yr	5yr	2020	2019	2018	2017	2016
ILIM Consensus Fund - PCF	6.1	29.2	9.6	8.8	4.3	21.2	-4.1	7.0	7.4

Target Return Funds	Q1	1yr	3yr	5yr	2020	2019	2018	2017	2016
ILIM Absolute Alpha - ABS	-0.2	7.2	-1.1	-0.2	-2.7	0.5	-2.2	3.1	-0.5
Merrion High Alpha	7.8	40.1	7.1	2.9	26.3	-1.0	-8.2	-2.4	-9.1
State Street Dynamic Diversified	4.9	17.4	1.8	3.0	-2.7	6.4	-5.2	6.9	2.6

Bond/Fixed Interest Funds	Q1	1yr	3yr	5yr	2020	2019	2018	2017	2016
Irish Life Navigate Annuity Bond Fund	-6.7	-0.5	5.1	3.1	9.6	11.9	3.1	-0.8	9.3
Zurich Long Bond Fund	-4.7	2.5	4.6	2.6	8.6	11.6	1.4	-1.6	6.4
Merrion Long Bond Fund	-4.6	6.0	6.3	3.7	12.8	14.3	0.4	-0.5	4.6
ILIM Passive Long Bond Fund - PPL	-5.4	3.7	6.1	3.9	10.8	15.3	2.2	-0.6	6.7
State Street IUT Euro Gov Long Bond Fund	-5.5	3.7	5.9	3.7	10.8	15.0	2.0	-0.5	6.5
ML EMU > 10 year Index	**-5.4**	**3.9**	**6.3**	**4.2**	**11.1**	**15.5**	**2.5**	**-0.4**	**7.0**
ML EMU Gov >10 Year AAA/AA Index	**-6.6**	**-0.2**	**5.4**	**3.4**	**9.8**	**12.3**	**3.5**	**-0.6**	**9.3**

Cash Funds	Q1	1yr	3yr	5yr	2020	2019	2018	2017	2016
Navigate Cash Fund	-0.2	-0.7	-0.6	-0.5	-0.6	-0.6	-0.5	-0.6	-0.3
ILIM Cash Fund - PC2	-0.2	-0.7	-0.6	-0.6	-0.7	-0.6	-0.6	-0.6	-0.4
Merrion Cash Fund	-0.3	0.3	-0.6	-0.5	-0.4	-0.4	-1.0	-0.4	-0.2
Zurich Cash Fund	-0.2	-0.8	-0.7	-0.7	-0.8	-0.6	-0.7	-0.7	-0.5
Euribor EBF 3 month rate	**-0.1**	**-0.4**	**-0.4**	**-0.4**	**-0.4**	**-0.4**	**-0.3**	**-0.4**	**-0.3**

Multi Asset Funds	Q1	1yr	3yr	5yr	2020	2019	2018	2017	2016
Fund Name	**%**	**%**	**% p.a.**	**% p.a.**	**%**	**%**	**%**	**%**	**%**
Navigate Cautious Growth	0.7	17.7	3.4	4.4	2.4	13.0	-6.6	7.8	5.9
Navigate Moderate Growth	3.6	25.8	5.9	6.0	2.8	17.4	-7.0	5.5	7.8
Aberdeen Stan. Diversified Growth	0.1	17.9	1.1		1.0	6.6	-5.5	8.5	
Amundi MULTI-STRATEGY GROWTH	0.5	17.5	4.1	4.1	11.0	4.8	-3.8	3.0	4.0
Amundi SF Ab Return Multi-Strategy Control	0.6	9.8	1.1		2.6	2.9	-3.5	0.5	
AQR Global Risk Parity	-1.7	12.6	3.8	4.3	3.5	16.4	-8.5	8.6	9.0
Aviva AIMS Target Return	-0.6	6.3	1.1	0.3	2.3	9.1	-7.4	-3.1	0.1
Merrion Multi-Asset 30	2.8	20.1	6.6		12.2	9.7	-4.7		
BlackRock Market Advantage Strategy	-3.9	14.2	2.9	4.5	0.3	19.4	-7.8	10.7	9.1
BlackRock SF Dynamic Diversified Growth	0.4	17.2	4.7	3.8	7.9	9.3	-4.0	7.2	-2.9
BNY Mellon Global Real Return	2.0	20.2	7.4	3.8	7.2	11.5	-1.0	1.5	1.3
Insight Broad Opportunities	0.3	13.6	2.3	3.1	-0.7	11.2	-6.6	8.6	3.6
Invesco Global Targeted Return	-1.7	-2.7	-1.9	-0.9	-2.0	2.9	-5.0	-0.0	2.2
Irish Life MAP C	2.8	15.2	3.3	4.2	0.4	9.6	-3.8	6.9	6.1
L&G Diversified	3.3	25.3	6.8		2.9	17.5	-5.2	6.6	
Ninety One Global Diversified Growth	0.6	24.1	2.4		4.6	11.1	-11.4	7.0	
Russell Inv Multi-Growth Strategy	1.6	19.3	4.5	4.2	5.2	12.7	-7.1	4.9	3.5
Schroder Dynamic Multi Asset	0.8	19.7	2.6		3.7	10.4	-8.2	7.1	
Schroder ISF Global Diversified Growth	2.3	22.3	2.9	4.3	3.9	10.5	-8.7	8.3	4.7
Stan Life Global Absolute Return Strategies	-1.8	7.9	2.0	1.1	6.7	6.3	-7.2	1.9	-3.1
Standard Life Dynamic Multi-Asset Growth	1.5	21.9	3.7	4.5	5.6	13.2	-8.2	9.3	-1.9
State Street IUT Dynamic Diversified	4.9	17.3	1.5	2.7	-2.8	6.2	-5.3	6.6	2.2
Peer Group Average	**0.7**	**16.0**	**3.1**	**3.1**	3.8	10.1	-6.1	5.5	2.7

apt wealth management