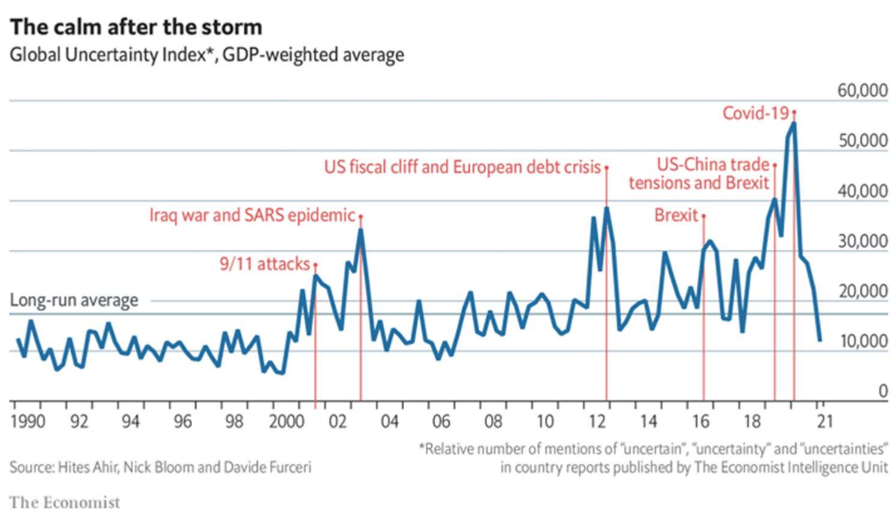
# Monthly Commentary 1st June 2021

The equity markets continued to deliver positive results in May, with France, China and Switzerland particularly strong, with gains of more than 3% each. The only laggard in equity markets was the Nasdaq in the US; the home of the world's five largest companies fell 1.5% for the month as growth stocks underperformed value stocks by more than 3%. Government bonds rose in the US and the UK, bucking the general rise in yields so far this year. Commodities were very strong, with precious metals exceptionally so, with gains of more than 7% in both gold and silver. The USD fell more than 1% and has given back all its 2021 gains. Finally, Bitcoin had a month to forget, falling by more than a third. But that's Bitcoin, where volatility cuts both ways.

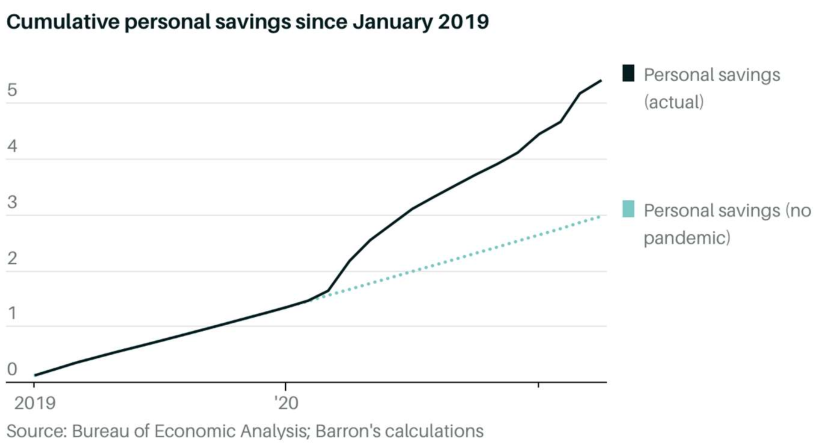
**More good news for equity markets**

It is a well-known notion that equity markets hate uncertainty and when uncertainty is low, they are generally expected to do well. The Economist published its Global Uncertainty Index for the end of March 2021 and the news was indeed good. As you can see from the graphic below, it has fallen to levels not seen since 2006.



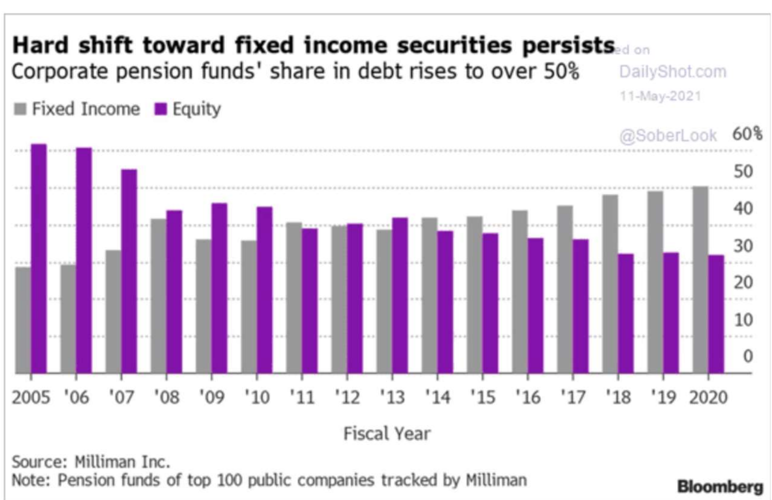

If one considers more tailwinds like the massive fiscal and monetary policy in place, then the environment for the equity markets should remain benign. Additionally, excess savings could also be unleashed by way of consumer spending as the economies in the west get back to normal.

The chart on the next page shows that in the US alone there have been excess savings of more than $2.3 trillion since the pandemic started.




**Are pension funds getting it right?**

It is not easy to decide on the ideal asset allocation for pension funds. In looking at the chart below, which shows the equity vs bond allocation for the 100 largest corporate pension funds in the US, it seems that in aggregate, managers are not getting their asset allocation decisions right. The latest allocation is about 50% bonds and 32% equities. Since 2013 there has been a steady rise in the bond allocation and a similar fall in the equity weighting. Yet in that period US bonds rose an average of 2.85% annually vs 15.9% for equities! Hindsight is perfect.

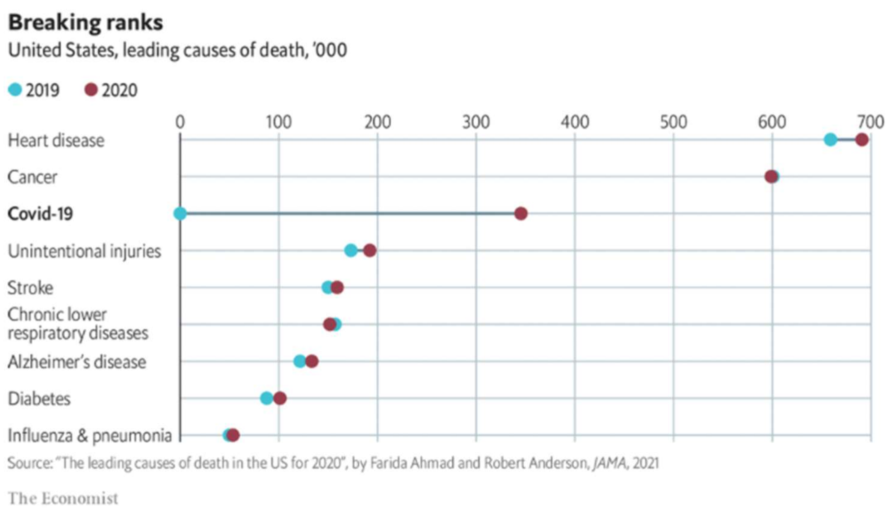


**Covid deaths**

The sad reality is that up until May 30th this year, more than 3.5 million people have lost their lives due to Covid 19. It is widely thought that this number is actually much worse. For example in the last month alone India's official statistics seem at odds with what many Indians are seeing and living.

Below, from the Economist, are the US deaths for 2020. As you can see Covid 19 cause the third highest number of deaths, at 345K for the last nine months of 2020. But the Economist goes on to write that:

*"Even this figure undercounts the pandemic's true death toll. According to provisional estimates from the CDC, mortality from all causes increased by 17.7% in 2020 from 2,854,838 to 3,358,814, a difference of more than 500,000 - and not 345,323, as reported. (Deaths typically grow by 1-2% a year because of population growth and aging."*




Not easy reading…

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