Market Insights

APRIL 2021

HARVEST FINANCIAL SERVICES

Month in Review

Concerns about inflation becoming an issue for financial markets ameliorated somewhat during April although we would expect these concerns to reappear intermittently over the coming months. As the world emerges from Covid19, it is almost inevitable that we will see a one-off consumer boom as pent-up savings accumulated during lockdown are released. As we have previously said, however, this will be a relatively temporary phenomenon and is unlikely to create sustained upward pressure on prices.

Having said that, the expectation of an economic surge post covid is already becoming evident in markets as investors switch from high growth to more cyclical sectors which are expected to do better as the economy ramps up. Since the start of the year, the MSCI Growth Index, an index heavily influenced by the larger technology companies has risen by 7% since the start of the year while so called Value stocks are up by almost double that at 13%. In our view, this is a trend that has further to go and we may see Big Tech lagging further in the market over the coming months.

The Federal Reserve in the US was once again in the spotlight at the end of the month as the minutes of its most recent meeting were released. Once again, they restated their commitment to continued support of the bond markets despite the early signs of economic turnaround – QE will be around for a little while yet.

Major Equity Markets Year to Date (in euro terms)

Equity Markets

All leading equity markets recorded another positive month, although a relatively strong euro ensured that the increases in euro terms were more pedestrian. In China, exchange rate movements converted a positive local currency performance into a 2% fall in euro terms, the reverse of what occurred the previous month.

As mentioned above, the emphasis in most markets was on stocks likely to do well on the back of opening economies. The favoured sectors included travel, energy and consumer stocks. Real estate stocks also did well as did commodity plays with the expectation that demand will turn up strongly over the remainder of the year.

Equity Market Performances (in euro terms)

Market	Performance April 2021*	Performance 1 Year*	YTD*
Ireland	+0.1%	+45.8%	+10.5%
UK	+1.5%	+26.3%	+9.3%
Japan	-3.1%	+31.4%	+4.9%
Europe	+1.7%	+34.6%	+11.2%
US	+1.7%	+37.3%	+12.2%
China	-2.9%	+20.1%	+4.7%

Source: Financial Times, Financial Express

Bonds

Bond markets remain somewhat nervous around the prospect of rising inflation. In our view these fears are somewhat overdone although the absence of value in mainstream bond markets is beyond dispute and prices will more than likely drift downwards over the remainder of the year. As we have pointed out previously, there are niche pockets of the corporate bond market where there is still value to be had and where attractive yields can be achieved.

Cash

As negative interest rates are more widely applied and realisation dawns that they may not be a short-lived phenomenon for euro cash holders, many corporates and others are looking to alternative homes for their longer-term cash positions. Short duration corporate bonds and protected deposit structures offering small but positive rates of return are being increasingly sought out by such clients. Even higher yielding equities are seen as a valid alternative for at least a portion of these longer-term cash deposits.

Investments Outlook

We are anticipating a positive period for equities over the remainder of 2021, but we are advising investors to be selective in taking on exposure to equities in their portfolios. We are less enthusiastic about passively managed ETFs and prefer strong active managers, particularly those focused on quality and value rather than those focused on the high growth end of the spectrum. Funds seeking high quality exposures in the mid cap (medium sized companies) range are our preferred choice as we feel they will have an opportunity to outperform in the emerging environment.

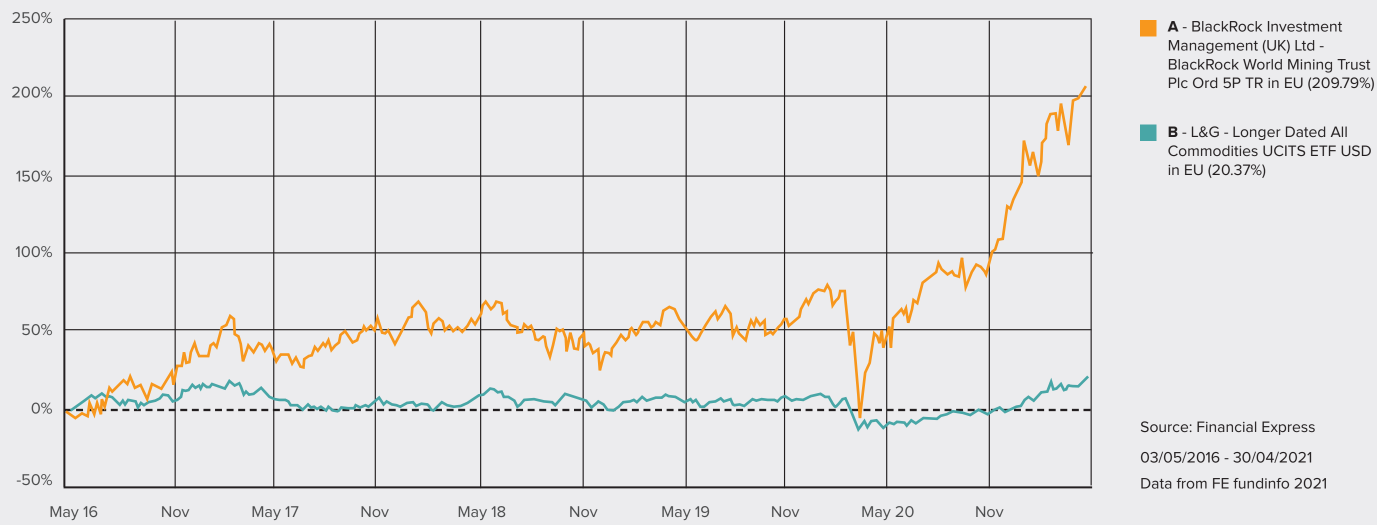
Fund in Focus – Blackrock World Mining Trust

For our monthly Fund in Focus we are highlighting the Blackrock World Mining Trust. This fund is designed for investors who seek income and growth and intend to invest for five years or longer.

The mining and commodities sector is benefiting from the world's most compelling long-term trends from digital transformation, to the sustainability agenda, to gold and precious metals. Targeting income and capital growth, the Trust provides a diversified blend of companies designed to benefit from the changing global economy.

- The trust provides exposure to the global hard commodities market
- It is very well diversified across a wide range of commodities.
- Net dividend yield target of 3.5% per annum.
- Managed by one of the largest global asset managers.

5 Year Performance vs All Commodities ETF



This investment would be suited to investors looking for a specialist commodities trust to provide long-term diversification of income and capital, geared to the changing dynamics of the global economy.

Personalised Investment Service

Whether you're new to investing or a sophisticated investor we have tailored investment services to suit you.

Dedicated Support

Working closely with your Client Advisor we can deliver bespoke investment solutions all built on a foundation of sound financial planning.

Holistic Investment Advice

Our Investment Advisory team are guided by leading-edge research, alongside our clear and consistent investment selection process. This insight ensures your portfolio remains in line with your objectives.

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