

# Market Maps

## Monthly Performance Report



January 2021 (USD Edition)

### Reflation rally wavers in response to Covid risks and GameStop trading volatility

Initial exuberance from vaccination programs and Biden 'blue wave' optimism receded in January. Rising downside risks to the global economic recovery and the additional volatility injected by retail investor trading in GameStop sapped market confidence as the month progressed.

#### Global Asset Classes

US small caps, Asia Pacific and emerging-market stocks led global equity gains, while European markets declined. In fixed income, US high-yield credit, Chinese sovereigns, and short-dated US and UK inflation-linked bonds outperformed. Oil rose and gold fell. (page 3)

#### Global Equity Markets

In developed markets, Hong Kong, the Russell 2000 and the Netherlands outperformed in January, while Italy and Spain lagged. In EM, China and Taiwan outperformed, while Brazil and Malaysia ended lower. (page 4)

#### Industry-Weighted Performance Contributions

Asia Pacific performance was dominated by contributions from technology stocks, while Europe and the US were negatively impacted by industrials, consumer goods and financials. The UK benefited from contributions in oil and basic materials. (page 5)

#### Alternative Indexes: REITs, FTSE4Good, Environmental Opportunities & Infrastructure

Environmental Opportunities indexes continued to outperform, particularly in the US and Europe. REITs outperformed in the US and Japan but lagged elsewhere. Core Infrastructure also underperformed. (page 8)

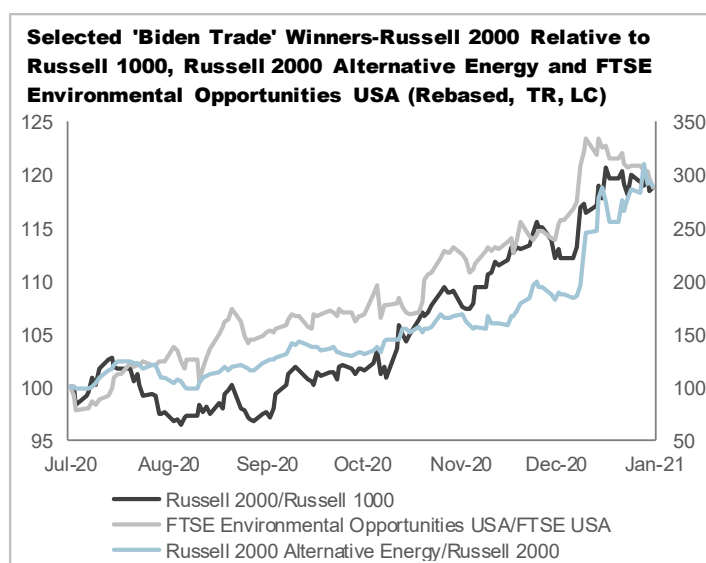
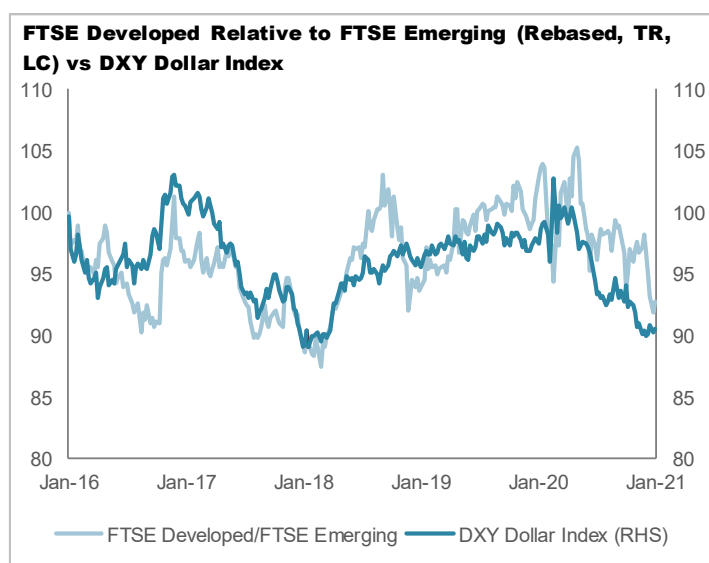
#### Regional Factors

The rotation into Value and (small-cap) Size from Quality and Momentum continued in January. (page 9)

#### Foreign Exchange

The trade-weighted US dollar index is testing its mid-2018 support levels. The Chinese yuan appreciated most in January, while the yen and euro depreciated against the US dollar. (page 10)

**Appendix** - Asset Class Risk/Returns (1-Year and 5-Year Annualized), Correlation, Regional Performance and Country Exposure.



**For professional investors only**

Source: FTSE Russell and Refinitiv. Data as of December 31, 2020. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

## Market Events – January 2021

### Highlights

The Q4 risk rally continued into January, bolstered by vaccination rollouts, China's stronger-than-expected recovery and optimism that the new Biden administration's proposed US stimulus spending plans could help insulate the global economy from continuing pandemic damage. Confidence waned late in the month, as vaccine delays, new virus mutations and the economic impact of extended lockdowns weighed on sentiment.

Also at the tail-end of the month, significant volatility, led by retail activity in GameStop, generated concerns about the proper functioning of the market.

Rising inflation expectations pushed the US 10-year Treasury yield above 1% in early January. Central banks, led by the Fed, reiterated their pledge to maintain low-rate policies until the recovery is entrenched.

The improved global demand outlook fuelled further rallies in oil, which also received a lift from Saudi Arabia's plans to cut production this year. Gold fell as risk appetite improved.

The US dollar depreciated further against the Chinese yuan and sterling. The trade-weighted US dollar index is testing its mid-2018 support levels (see page 10).

### Main Events

- US Democratic Party win in Georgia Senate runoffs give it control of all branches of US government.
- Pro-Trump supporters storm US Capitol, temporarily disrupting election certification process.
- Joseph Biden sworn in as 46th US president.
- Biden unveils plans for \$2Tr in new fiscal spending to fight pandemic.
- Former US president Trump impeached for second time.
- US unemployment flat at 6.7% in Q4, with loss of 140K jobs. Weekly initial claims rise to 900K average in January.
- January flash PMI composites rose to 58.0 (vs 55.3 in Dec) in US; fell to 40.6 (vs 50.4) in the UK; to 47.5 (vs 49.1) in Eurozone and to 46.7 (vs 48.5) in Japan.
- China GDP rises 6.5% YoY in Q4 and 2.3% for 2020.
- ECB keeps policy settings unchanged.
- German GDP fell 5.0% YoY in 2020.
- PBOC withdraws Rmb78Bn of net liquidity via open market operations, tighteninging financial conditions.
- Fed keeps policy rates unchanged; Chair Powell stresses no plan to withdraw support any time soon.
- US GDP grew 4% (annualized) in Q4; -3.5% for full year.
- Retail-led volatility in GameStop creates market disruption.

**Russell 1000 vs FTSE All-World ex US Indexes (Local Currency, TR, Rebased)**

