

Market reviews

– GBP

February 2021



Global overview

Global equities made modest gains in sterling terms over February. The UK performed well as its Covid-19 vaccination campaign continued to make headway. Meanwhile, European ex UK equities modestly lagged the global average against mixed eurozone economic data and higher inflation. Meanwhile, data showed the EU's Covid-19 vaccination campaign was sharply lagging the UK and US in terms of doses administered.

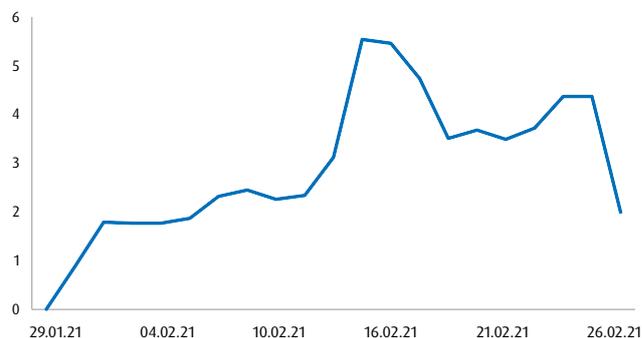
The month was marked by a rise in US Treasury bond yields as the US prepared to instigate further stimulus measures and as the ongoing US Covid-19 vaccination campaign raised hopes on the economic outlook. The House of Representatives approved a \$1.9tn coronavirus relief package, including direct payments

to US adults, more generous unemployment insurance and further support for state and local governments. In emerging markets, Brazil underperformed against elevated Covid-19 case levels as well as worries over government policy, with President Bolsonaro ousting the chief executive of oil giant Petrobras.

UK

The FTSE All-Share Index returned 2.0% in sterling terms during February. The UK's Covid-19 vaccination campaign continued to make headway, raising expectations for a swift economic recovery in 2021. The UK PMI business survey gauge for February pointed to marked improvement in sentiment for the services sector against the early success of the UK's Covid-19 vaccination programme, though the reading showed activity levels remained just inside contraction territory. A separate survey for February indicated UK consumer confidence had reached its highest level in 11 months. UK unemployment ticked up by 0.4% to reach 5.1% in the three months to December as the coronavirus crisis and fresh lockdowns took a toll. In terms of sectors, banks (14.0%) and travel & leisure (13.5%) outperformed while food & drug retailers (-10.2%) and personal goods (-9.9%) lagged.

FTSE All-Share Total Return (TR) GBP (%)*



Past performance should not be seen as an indication of future performance.

The value of investments and income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

Europe

The FTSE World Europe ex-UK Index returned 0.3% in sterling terms, modestly lagging the global average. PMI business survey data showed activity in the eurozone manufacturing sector had reached a three-year high in February as export orders picked up. Nevertheless, PMI data showed eurozone services activity had dropped further into contraction territory in February as Covid-19 lockdowns continued to weigh. Eurozone inflation rose to 0.9% in January versus -0.3% in the prior month, led by price rises for services and non-energy industrial goods. The Ifo Institute's monthly German business sentiment gauge ticked up in February and exceeded estimates, with particular improvement in the expectations of industrial exporters. Data showed the EU's Covid-19 vaccination campaign was sharply lagging the UK and US in terms of doses administered.

FTSE World Europe ex UK TR GBP (%)*



US

The FTSE All-World North America Index returned 0.9% in sterling terms over February. The House of Representatives approved a \$1.9tn coronavirus relief package, including direct payments to US adults, more generous unemployment insurance and further support for state and local governments. US jobless claims fell sharply over February, with the nation's Covid-19 vaccination campaign continuing apace and new daily coronavirus case levels remaining well below the January peak. US retail sales rose by 5.3% in January, helped by the recent \$600 in direct payments to individuals approved by the outgoing Trump administration. The month was marked by a rise in US Treasury bond yields as the US prepared to instigate further stimulus measures and as the ongoing US Covid-19 vaccination campaign raised hopes on the economic outlook.

FTSE All-World North America TR GBP (%)*



Japan

The FTSE Japan Index returned -0.4% in sterling terms during February. New daily Japanese Covid-19 cases continued to fall over the month, reflecting the impact of the recently imposed restrictions to control the virus's spread. Against this backdrop, Japanese retail sales were down 2.4% in January as the measures weighed on consumer activity. Consumer prices fell for a fourth consecutive month in January though the pace of price declines slowed with inflation at -0.6% versus -1.2% in the prior month. Japanese exports rose 6.4% year on year for January as Chinese demand strengthened. Japanese core machinery orders were up strongly in December on a monthly basis. Japan's economy grew 3% in the fourth quarter, beating estimates, helped by higher exports and consumer spending.

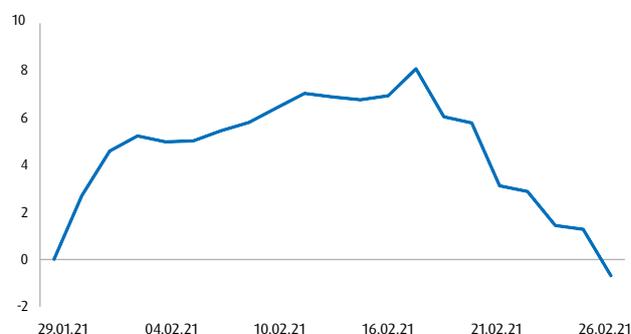
FTSE Japan TR GBP (%)*



Emerging Markets

The FTSE All-World Emerging Index returned -0.7% in sterling terms over February. Chile (6.3%) outperformed as expectations of a strong recovery for the global economy in 2021 buoyed copper prices. Greece (4.5%) was also ahead, bolstered by hopes that its tourism sector could see a revival later in the year. Russia (1.8%) found support from higher oil prices. Brazil (-7.8%) struggled against elevated Covid-19 case levels as well as worries over government policy, with President Bolsonaro ousting the chief executive of oil giant Petrobras. Eastern European markets such as Poland (-4.4%), Turkey (-3.9%) and Hungary (-2.4%) were generally held back by continuing worries over elevated Covid-19 cases and rising bond yields. China (-2.5%) was firmly in negative territory amid concerns over the impact of tighter local lending rates.

FTSE All-World Emerging TR GBP (%)*



Asia Pacific ex Japan

The FTSE World Asia Pacific ex Japan Index returned 0.8% in sterling terms. Taiwan (2.9%) outperformed, with the country's exports rising to an all-time high for January. Hong Kong (2.8%) also made gains, supported by some easing in Covid-19 related concerns. Korea (-1.4%) lost ground against a rising inflation outlook and higher bond yields. Thailand (-0.1%) and Malaysia (-0.2%) were broadly flat. Malaysia's Covid-19 case levels remained elevated, while Thailand's stringent control measures appeared to have succeeded in all but halting new daily cases by month-end. Survey data for February suggested that Chinese manufacturing activity grew at its slowest pace in nine months amid lacklustre demand from abroad. Meanwhile, concerns over the over the impact of tighter lending rates in China served to dampen regional returns.

FTSE World Asia Pacific ex Japan TR GBP (%)*



Government Bonds

Global government bond yields rose over February. US Treasury bond yields increased significantly during the month against the prospect of higher government borrowing and issuance as well as economic recovery hopes. In February, the House of Representatives approved a \$1.9tn coronavirus relief package, including direct payments to US adults, more generous unemployment insurance and further support at the state and local government level.

Government bonds in general were hit by concerns over the potential for inflation to accelerate on the back of a strong, global economic recovery, underpinned by effective Covid-19 vaccination campaigns. Eurozone inflation rose to 0.9% in January versus -0.3% in the prior month, led by price rises for services and non-energy industrial goods. The US core PCE price index rose to 1.5% in January versus 1.4% in the prior month.

Corporate Bonds

Global corporate bonds generated negative returns over February. The month was marked by a rise in the major government bond yields as the US prepared to instigate further stimulus measures and as ongoing Covid-19 vaccination campaigns raised hopes on the economic outlook. US jobless claims fell sharply over February, with the nation's Covid-19 vaccination programme continuing apace and new daily coronavirus case levels remaining well below the

January peak. Data showed the EU's Covid-19 vaccination campaign was sharply lagging the UK and US in terms of doses administered. PMI business survey data indicated eurozone services activity had contracted further in February as Covid-19 lockdowns continued to weigh. Chinese ecommerce group Alibaba came to the market with \$5bn in US dollar issuance to consolidate existing debt and boost working capital.

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* Source: Lipper to 26-Feb-21, total return. Indices rebased to zero at 29-Jan-21

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