

The background features a complex digital visualization of financial data. It includes a 3D bar chart with blue and purple bars, a line graph with a red line, and various floating numerical values such as 13.7941, 90.8455, 44.1215, 31.6466, 69.8112, 92.266, 96.4834, and +12,00.5. The overall color palette is dominated by deep blues, purples, and oranges.

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Investment Services

Reeves Market Outlook

April 2021

1. Investors in UK Govt bonds suffer worst quarter for two decades

As Britain's economic prospects brighten after Covid-19, UK government bonds are suffering their worst quarter in at least two decades. An improving economic outlook has raised anticipation of a future upward movement in interest rates causing gilt prices to fall. Underlying this is also a debate currently raging among fixed income investors over the prospects for inflation/deflation.

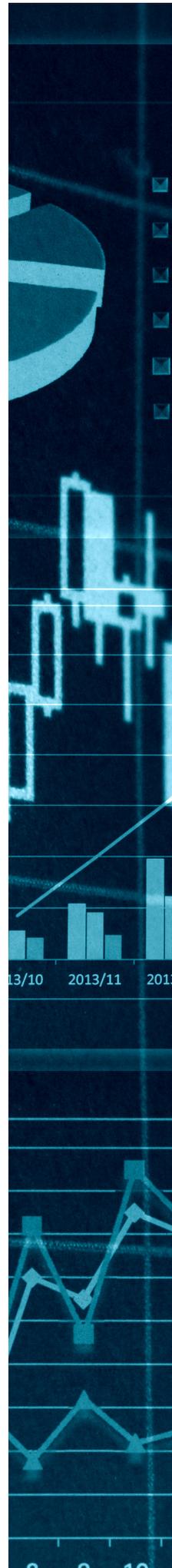
Relevance/Impact

As global bond markets struggle, some are being hit harder than others. US Treasuries have been at the centre of the storm, but it has also been severe in the UK, which has tumbled 6.5% on a total return basis.

Analysts are predicting further spells of poor performance in economies that recover more quickly from Covid-19, namely the US and UK. Europe, on the other hand, could face a different trajectory on the back of economic uncertainty and more central bank intervention. This rocky period for gilts is likely to be beneficial for sterling and other UK assets if the economic recovery keeps up with expectations, with Jim Caron, portfolio manager at Morgan Stanley, saying: "There's a lot of rebound left in the UK economy which equates to higher sterling and higher yields."

Source:

Financial Times (25th March 2021) Investors in UK government bonds suffer worst quarter for two decades
<https://www.ft.com/content/0ea28218-7296-4b09-9cae-4b84a27a9e0c>



2. ECB steps up bond-buying

The European Central Bank has stepped up the weekly pace of its emergency bond-buying programme to its highest level in over three months in an attempt to counter the recent sell-off in Eurozone debt markets.

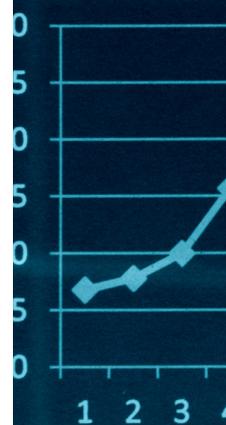
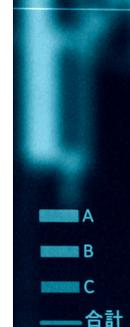
Relevance/Impact

The ECB bought €21.1bn of bonds under its pandemic emergency purchase programme in the week to March 17, up from €14bn a week earlier. This acceleration of bond-buying by the ECB was widely expected after the central bank announced in March that purchases under the €1.85tn scheme would be "conducted at a significantly higher pace".

The sell-off prompting this is being fuelled by expectations that a sharp economic recovery will reignite inflation, which in turn eats into fixed interest payments on bonds, making them less attractive to investors than equities. Furthermore, it may also bring about a rise in interest rates that again make the interest payments on bonds less appealing.

Source:

Financial Times ECB steps up pace of bond-buying in bid to tame rise in borrowing costs
<https://www.ft.com/content/363b7efb-4b12-4574-bc48-f9201165cd6c>



3. Abu Dhabi agrees mult-billion-pound investment in British business

The UAE has agreed a multibillion-pound investment partnership with the UK to invest in British health, technology, clean energy and infrastructure, delivering a significant post-Brexit boost.

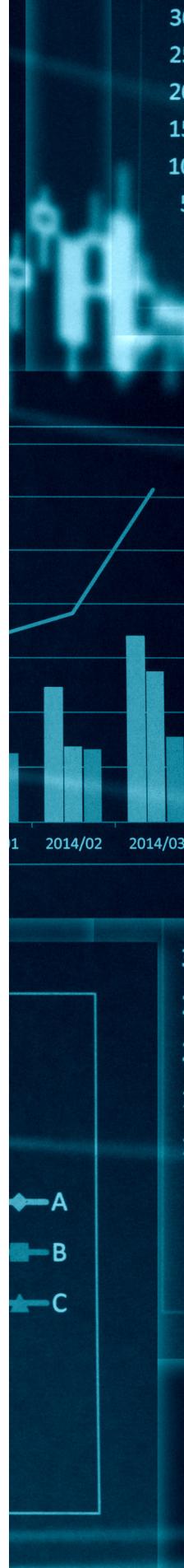
Relevance/Impact

Investment minister, Lord Gerry Grimstone welcomed this deal as aimed at being a catalyst to attract the world's best venture capital funds to the UK's life sciences industry. The initial investments will be alongside the UK's £200m Life Sciences Programme, with the hope that the investment would be spread across the UK, including in industrial clusters outside London.

These significant investments in tech, clean energy and infrastructure will present fantastic opportunities to these sectors. As a result, we expect that certain smaller and mid-cap UK-related new economy stocks will continue to generate investor interest. Unlike the US, there are very few large cap tech names in the FTSE100.

Source:

Financial Times Abu Dhabi agrees multibillion-pound investment in British business
<https://www.ft.com/content/754be56b-5ec7-48fe-bd00-b8e5ef57ca07>



4. Single ship disrupts world trade in Suez canal

Powerful winds forced the Japanese 'MV Ever Given' megaship aground, blocking passage in the Suez Canal, one of the busiest shipping lanes in the world.

Hundreds of ships were backed up, prevented from passing through the canal which handles about a US\$1 trn worth of trade a year.

Fortunately, within days, the ship was freed and the canal re-opened. However, the incident alerted the world to the vulnerability of key trade routes.

Relevance/Impact

Around 12% of global trade passes through the narrow canal, with around 50 ships a day carrying a total of US\$3bn to US\$9bn worth of cargo. Ships waiting to pass by were left to make the decision to wait or take the 3,500-mile diversion around Africa. Either way, this caused disruptions to supply chains, which today are managed by many industries on a just-in time basis.

Although it was regarded as a freak incident, with thousands of ships passing through uneventfully, it does emphasise the importance of the canal. Around 5% of globally traded crude oil and 10% of refined petroleum products passed through the canal before the pandemic and there was a 2.85% jump in the price of Brent crude as a result of the Suez blockage. Egyptian officials said the backlog of ships waiting to transit through should be cleared in around three days, but experts believe the knock-on effect on global shipping could take weeks or even months to resolve.

Source:

The Guardian (26th March 2021) How the Suez canal blockage can seriously dent world trade
<https://www.theguardian.com/business/2021/mar/26/how-the-suez-canal-blockage-can-seriously-dent-world-trade>

BBC News (30th March 2021) Suez Canal reopens after giant stranded ship is freed
<https://www.bbc.co.uk/news/world-middle-east-56567985>



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