THE **CAMBRIDGE** WEEKLY

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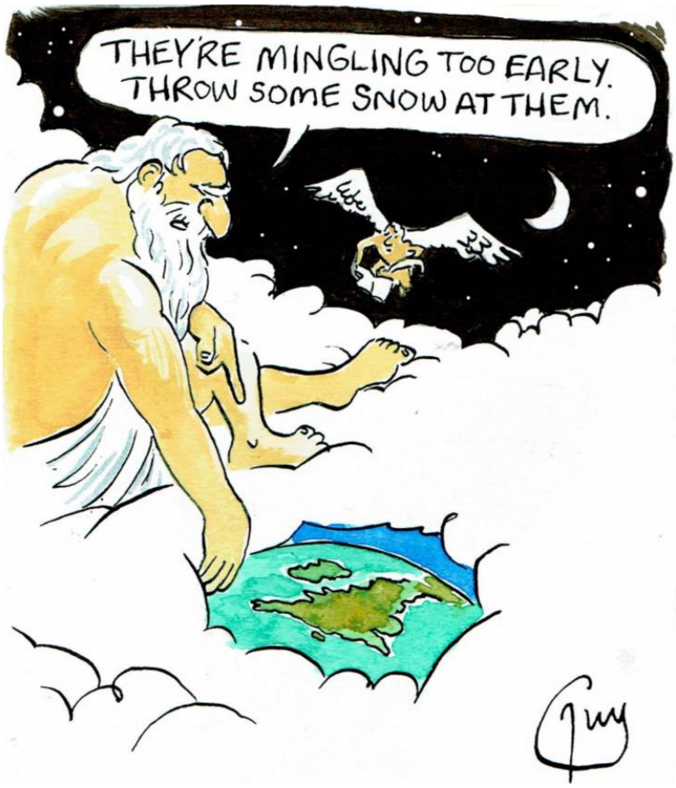


Source: Guy Venables, 7 April 2021

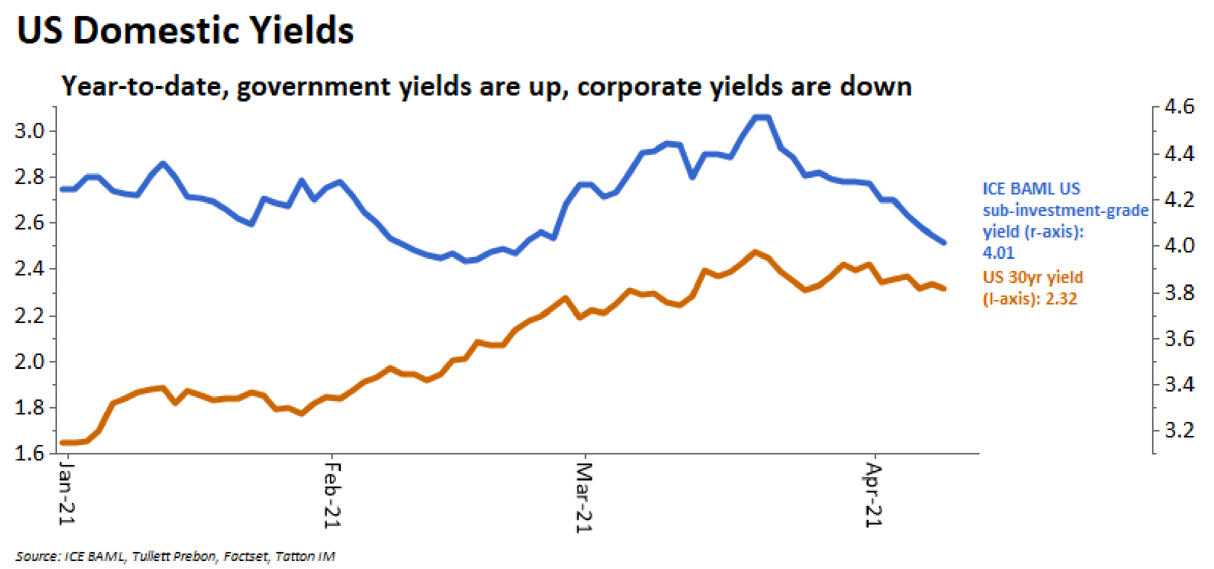
Bond markets signal economic optimism

Following a strong first quarter for equity investors worldwide, the second quarter is off to a good start as well, with most global stock markets already up by a few percentage points. While the sense that stock markets are potentially getting ahead of themselves is nothing new, the renewed surge of large-cap US tech stocks is.

Since the emergence of effective vaccines last autumn, the stock market darlings of 2020 had become laggards, as investors turned their attention to companies capable of benefitting from a pandemic in retreat and our collective desire to make up for lost time. But beyond this cyclical recovery theme, there was also the observation that the rising yields which accompany expectations of better times ahead would also prove a headwind for businesses whose expected substantial growth in earnings lay further in the future. We wrote about this 'discounted cash flow' dynamic before, but it was not entirely clear whether rising yields or expected changes in consumer post-pandemic behaviours were the more decisive determinant for the relative valuations of growth/tech companies.

The tech sector's resurgence has provided more clarity, given it has coincided with falling yields but also growing threats to long-term earnings growth. This threat has stemmed from increasing government talk of raising corporate taxation to fund fiscal stimulus. After initially merely stabilising from their previous upward momentum, long-term government bond yields have declined slightly over the past week. This followed assurances from the US Federal Reserve (Fed) that it firmly expects recovery-driven price rises to be transitory, and should not result in structural inflation pressures to necessitate monetary tightening in the near future. So, we can reasonably expect that the growth/tech section of the stock market will face more headwinds when yields resume their gradual upward trend – in line with the expected upward trend of broader economic activity levels. Interestingly, that is how the more conservative utility stocks (often held as alternatives to corporate bonds) used to behave. Perhaps this is a sign for things to come. The growth stocks of the past decades have become so big they can hardly be expected to continue to grow at the same rate as in the past, while at the same time adopting more and more of the subscription-type business propositions that defines utility companies.

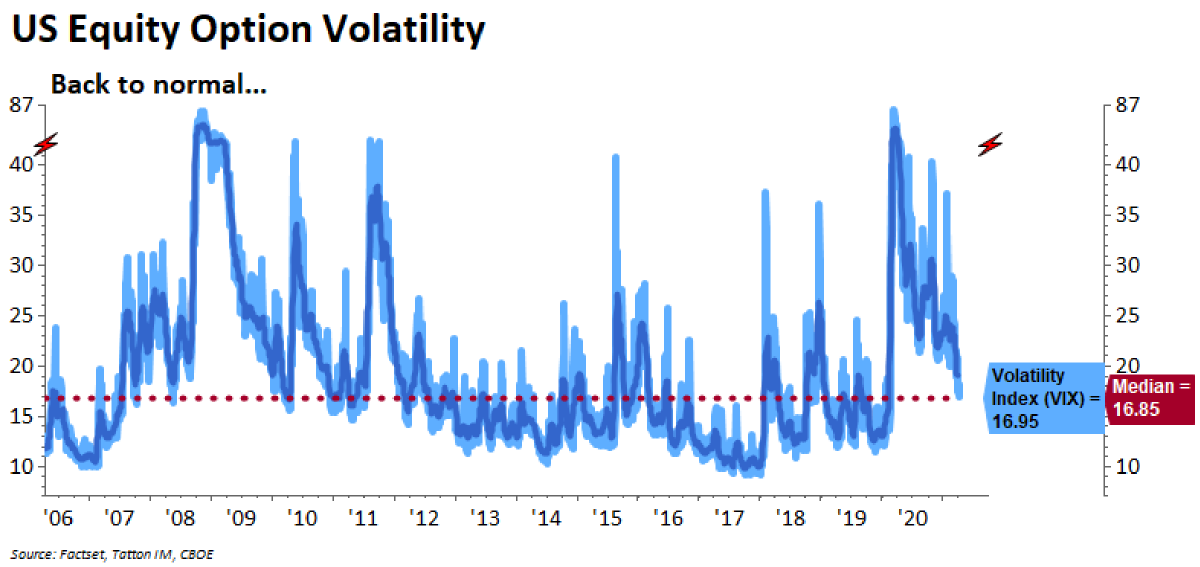
This is not the only interesting insight that bond markets provided us with this past week. The chart below has even more forecasting value, in that it tells us something about capital market expectations as a whole, rather than for just one segment. It shows the development of government bond yields (orange line) and corporate bond yields (blue line) since the beginning of the year. Due to the higher default risk of companies over governments, corporates always pay a risk premium over the yields of the government, which is why we have plotted corporate yields against a separate axis on the right hand side, to bring the two graphs closer together to permit better comparability.



The direction of travel of long-term government yields tells us something about the collective market expectations for the wider economy. If yields rise, it signals an expectation of better times ahead, in which bond investors demand to participate. If corporate bond yields fall at the same time, it tells us that market participants are growing less concerned about the risk that companies may fail. Now, that may not be overly surprising if the economic outlook is improving, but if the outlook improves so fast that it raises concerns of overheating, the risk premium actually increases. It suggests central banks may be forced to tighten conditions by raising rates, which often leads to credit default cycles as overextended companies fold despite booming economic conditions.

Both of these expectation settings are visible in the chart. We can first see the overheating scenario in February and early March, when rising corporate bond yields outpaced those of government bonds and, since then, falling costs of finance for corporates while government yields have traded sideways. This latest development is good news for the near-term outlook for investors with the majority of their portfolios invested in global stock markets. It indicates a market expectation of a 'Goldilocks' environment for the economy, of just the right balance between growth and the ability of companies to cope with the inevitable gradual rise in yields, as the rise in earnings is expected to outpace the rising cost of finance. This latest development may well be more driven by recent US policy initiatives, rather than the previous 'end-of-pandemic' driver of sentiment. The Biden administration has thus far proven to be even faster off the pace and relentlessly competent in steering the US economy towards a sustained recovery than many (us included) had dared to expect after the chaotic Trump years.

The chart below shows how equity markets have taken heart compared to one year ago. Back then, equity investors were rushing to insure their holdings by buying options. This led to the price of those options (as indicated by the CBOE Volatility Index) was above 60%, almost back at the level seen during the global financial crash 12 years earlier. By comparison, the index traded at just below 17% at the end of last week, almost exactly at the median level for the last 15 years. This does not tell us that there are no risks at present, but it does tell us that investors think that these known risks are no reason to panic.



The combination of fast progress on mass vaccinations – and real long-term structural improvement plans for the US economy – have provided investors with a very welcome perspective for sustained growth beyond the initial post-pandemic recovery phase.

Stock markets firmly looking ahead - Q1 2021 review

In our private lives, the first few months of 2021 were much the same as 2020 – unfortunately. Britain, and indeed the world, suffered more COVID cases, more fatalities and, once again, tighter restrictions. For investors, though, it was a different story. Despite a global economy frozen in motion and the deepest recession ever recorded, stock markets did very well last year, with some major indices climbing to new highs. That seeming disconnect has carried over to the first quarter of 2021 which has been kind to the owners of stocks worldwide.

As the table below shows, year-to-date returns have been positive for all major indices, the standouts being the US and UK, up 5.2% and 5% respectively, in sterling terms. As we move into Q2, the S&P 500 is at an all-time high, while similar heights are being pushed the world over.

Asset Class	Index	March	YTD	12 months	2020	3-yr annualised	5-yr annualised
Equities	FTSE 100 (UK)	4.2	5.0	21.9	-10.2	2.3	5.8
	FTSE4Good 50 (UK Ethical Index)	3.2	3.2	15.6	-13.2	-0.3	2.5
	MSCI Europe ex-UK	4.6	2.5	33.5	8.8	8.8	8.8
	S&P 500 (USA)	5.8	5.2	40.5	14.5	17.4	17.3
	NASDAQ (US Technology)	1.8	2.0	55.8	40.9	24.5	23.4
	Nikkei 225 (Japan)	2.4	0.6	25.6	11.4	7.7	10.1
	MSCI All Countries World	4.0	3.6	38.9	13.0	12.1	13.2
	MSCI Emerging Markets	-0.2	1.3	42.3	15.0	6.5	12.1
Bonds	FTSE Gilts All Stocks	0.0	-7.2	-5.5	7.9	2.5	2.9
	£-Sterling Corporate Bond Index	-0.2	-4.4	10.1	8.4	4.6	5.2
	Barclays Global Aggregate Bond In	-0.6	-5.3	-5.9	6.3	3.4	3.5
Commodities	Goldman Sachs Commodity Index	-0.8	12.5	35.0	-26.0	-4.9	1.2
	Brent Crude Oil Price	-1.3	20.0	114.0	-23.9	-3.3	9.2
	LBMA Spot Gold Price	-3.2	-10.6	-4.4	20.8	8.4	6.4
Inflation	UK Consumer Price Index (annual r	0.1	-0.1	0.4	0.5	-	-
Cash rates	Libor 3 month GBP	0.0	0.0	0.3	0.5	0.6	0.5
Property	UK Commercial Property (IA Sector)	0.2	0.1	-2.1	-3.7	-0.9	0.6

Data sourced from Morningstar Direct as at 31/03/21. * to end of previous month (28/02/21). All returns in GBP.

Because of timing, the base effect makes the figures for 12-month returns look mind-boggling. March 2020 marked 'rock bottom' for investors, but since then extremely accommodative monetary and fiscal policy has kept the public afloat, the economy somewhat mothballed (but broadly intact), and markets in good spirits, while the hopes of a strong post-pandemic recovery that breaks the pre-pandemic slow growth malaise have supercharged asset values. Risk sentiment was reflected in the strength of equities, while low risk assets – such as longer-dated government bonds – saw meaningful losses. This led to an unexpectedly fast-moving uptick in fixed income yields, as investors became increasingly expectant of strong medium-term growth. These moves are part of the cyclical rotation we discussed at the end of last year – with investors moving out of 2020's large-cap winners and into those stocks positioned for a pick-up in global growth and less exposed to rising yields. This is reflected in the performance of the tech-heavy Nasdaq, which returned only 2% over Q1, compared to 5.2% for the wider S&P. And, we have every reason to think that the rotation will continue, with political and regulatory scrutiny adding another headwind for the US tech sector, just when cyclical factors are already tempting investors away.

The aforementioned rise in bond yields was one of the most significant market moves of the last quarter. Despite central bankers keeping monetary policy easy and bond yields down, bond markets sold off (pushing up yields, the inverse of price) after positive economic data and significant fiscal stimulus came through. With the global economy reopening while monetary and fiscal policy remains loose, markets fear the economy might overheat and inflation could soon bubble over, forcing central banks to suddenly tighten.

Bond yield fears led to a blip for wider capital markets in the middle of quarter, with not only bond values but also equities falling back, as concerns arose that tighter financial conditions might spoil the extent of the recovery 'party'. This was especially pronounced in emerging markets, where falls were compounded by returning political tensions between the US and China, and policy tightening from the People's Bank of China. Investors had hoped President Biden would thaw relations with its largest trading partner after a tumultuous time under Donald Trump, but there has been no sign of cooling off, and the US has now signalled its attention to become less dependent in its supply chains from the region. Emerging market equities nevertheless posted a 1.3% gain over Q1.

Elsewhere, it is clear markets were eager to pounce on any early 'vaccine dividend', as those countries with higher vaccination rates fared much better than those with slow uptake. The FTSE 100's 5% gain – compared to just 2.5% in Europe – had a lot to do with this, but Britain's global large cap businesses have also benefitted greatly from the wider cyclical rotation, as UK equities have a distinct exposure to global growth. Investors are clearly most excited about the US, however, where a rapid vaccine rollout has been complemented by two of the most significant fiscal packages in recent times: A $1.9 trillion recovery act aimed at supporting citizens through the pandemic and a $2.25 trillion infrastructure plan that promises to boost US growth beyond it.

Things are much less positive in Europe, where the vaccination programme has famously stalled while virus cases are rising, and tighter restrictions are coming into force. The political finger-pointing does not offer much hope, but there are a few bright spots on the horizon, particularly that the vaccination campaign should now finally be gathering speed as large volumes of various vaccines are becoming available. The other one is that the Purchasing Managers' Indices (PMIs) are showing an improvement in business sentiment on the continent, despite all the bad news. We fully expect the political drama to dissipate as we move through the year – if only as the rate of vaccinations picks up. We suspect this is the low point as far as market expectations for Europe are concerned, which makes the region's low valuation levels attractive for investors.

On the whole, markets and the global economy have moved mostly in line with our expectations at the beginning of the year. The vaccine rollout is well underway in the UK and US, and this is clearly reflected in markets' outlook for the rest of the year. Investors are particularly excited about the US, where a combination of monetary, fiscal and health policies have set the stage for a full-speed recovery. The Biden administration's unparalleled swiftness and competence in executing its plans came as we had suggested it might, but nevertheless has created a tangible 'get-up-and-go' sentiment across US society that we have not seen since the 1980s era of Ronald Reagan. What's more, growth is expected to 'leak out' of the world's largest economy through increased demand. For the first time in years, the US looks set to be the motor of the world economy – to the delight of international investors.

Centrist Biden puts global taxation in his sights

In the long run-up to last year's US election, Joe Biden was seen as the uninspiring compromise candidate. An old establishment Washington D.C. type, with decades of top-level political experience and firm centrist credentials. Now President, he fended off challenges from the left of the Democratic Party and gave observers a sense that the status quo was back after four chaotic years of Donald Trump. But, just a few months in, those expectations look wide of the mark. Biden's recovery act – pledging $1.9 trillion to see Americans through the pandemic – is a massive fiscal expenditure of historical dimensions. However, it can be rather easily justified with the gravity of the global crisis and hence labelled as being a 'one-off'. However, the President's latest plans for long-term infrastructure investment and tax reform, are something else entirely.

The White House proposes spending more than $1.7 trillion on new infrastructure, clean energy and manufacturing over ten years, calling it the biggest public investment programme since the 1960s. Most of the spending is expected to be done over eight years. An additional $500 billion is earmarked for social issues, such as labour incentives and public health care support benefits (Medicaid). The plans to rejuvenate America's ailing infrastructure will excite capital markets on the country's long and short-term future, but what stands out even more is how Biden plans to pay for it – by raising corporate tax rates from 21% to 28%, generating up to $2.5 trillion in extra revenues over the next 15 years. Far from an immediate injection of stimulus to get the economy roaring, the tax and spend plans amount to a significant restructuring of the US public sector, and a vision for redistributing America's uneven wealth.

The legislation looks more like what we would expect from Elizabeth Warren (one of last year's left-leaning contenders for the presidential nomination) than Joe Biden, but given the makeup of this administration – and the wider discussion on global tax – this shouldn't be surprising. Treasury Secretary Janet Yellen is hardly a progressive political icon, but after years as US Federal Reserve (Fed) chair, she knows better than most how much the US economy needs proactive fiscal policy, and perhaps structural, reform. Elsewhere, Biden's administration is littered with people promoting regulation, like Securities and Exchange Commission chair Gary Gensler, and the deputy director of the National Economic Council Bharat Ramamurti, who was an aide to Senator Elizabeth Warren.

Certainly, the White House plans will not be held back by a lack of ambition. They could well be held back by the Senate, however, where slim Democrat control could force a compromise from Yellen and co. The Republican Party is set against the size of Biden's fiscal largesse, and especially the tax rises needed to pay for it. And while the Democrats could theoretically push their plans through the 50-50 Senate with a tiebreaker vote, that would involve getting every Democrat on board, which looks unlikely given the number of distinctly conservative-leaning Democrats in Congress.

Judging from price moves last week, markets seem unconvinced that corporate taxes will rise by anything like the Biden proposal. Equity earnings, particularly those for the dominant big tech companies, would be materially affected if those companies were forced to pay out more of their profits – and yet the US stock market last week hit new all-time highs.

Given the delicate political balance in Washington, we are inclined to agree with markets that there will be *some* compromise on the legislative front. But markets' nonchalance ignores two important factors. First, without significant tax rises down the line, Biden's mammoth spending bill will need to be funded by a structural increase in the US deficit. As we slowly return to a normal global economy, that would put additional upside pressure on bond yields, creating a major headache for both the Treasury and the Fed, who are desperate to keep financial conditions easy for now.

The dilemma is far from hopeless, but the bottom line is that the fiscal package the markets are so fond of will have to be paid for one way or another; either through higher taxes on the most profitable companies (dampening earnings expectations), higher bond yields (choking off the recovery) or structurally higher inflation (as intense monetary and fiscal stimulus bring the economy to a boil). Sooner or later, something will have to give – and markets will have to adjust to the new realities. At this point, we note that talk about Modern Monetary Theory – which suggests nearly infinite monetary financing of deficits for as long as inflation is under control – has almost disappeared. Roughly a year ago, this was a fashionable topic in financial markets.

The experienced Yellen has chosen a reasonable middle-ground of fiscal stimulus and high deficits now, taxes and redistribution later. Even if politicians take time to agree on the details, we have every reason to think this is the path they will take. We also suspect some negotiation tactics are in play, with Democrats aiming high before the political process dilutes the final version. In this sense, the corporate tax rate may well go up by less than to 28%. That brings us to markets' second oversight: higher corporate taxation is a policy with substantial support across the political spectrum and the world. The fact that Biden – the centrist choice – is pushing forward such an ambitious plan tells us everything we need to know about how the agenda has changed over the last decade.

In the aftermath of the global financial crisis, politicians from the major economies planned to coordinate against multinational corporations taking permanent tax holidays in Switzerland, Ireland or the Cayman Islands. After much posturing, the only real outcome is that global corporate tax rates are lower today than they were in 2008. As politicians are all too aware, without coordination governments enter a dangerous race to the bottom in corporate tax – to the great benefit of large multinationals.

That is why the Biden administration has made corporate taxation at the global level its main target. Yellen wants to not only raise America's levies; she wants to create a global minimum in the corporate tax rate, and is willing to leverage US political power to do so. Here in the UK, we have already seen politicians – Conservative ones no less – planning a hike in corporate tax, with Chancellor Rishi Sunak explicitly citing Yellen's plans as justification. Similar conversations are ongoing in the European Union (EU), underlining that this truly is a global movement – and one investors would do well to recognise.

This could well have as big an effect on global trade and international finance as Trump's trade wars. For America's megatech companies – far and away the winners of the pandemic – this adds to the sense that their storm upwards in stock markets is cooling off, aided by a general cyclical rotation. But this is a long way from saying they will struggle to be profitable. Amazon, Google, Apple, Microsoft and Facebook have such huge scale and dominance that tax rises for all are not as big a concern for them as the threat of being broken up by anti-trust legislation. It may, however, mean that their future growth may no longer dominate the stock market as they have their respective markets – but after so long at the top, that may not be such a bad thing.

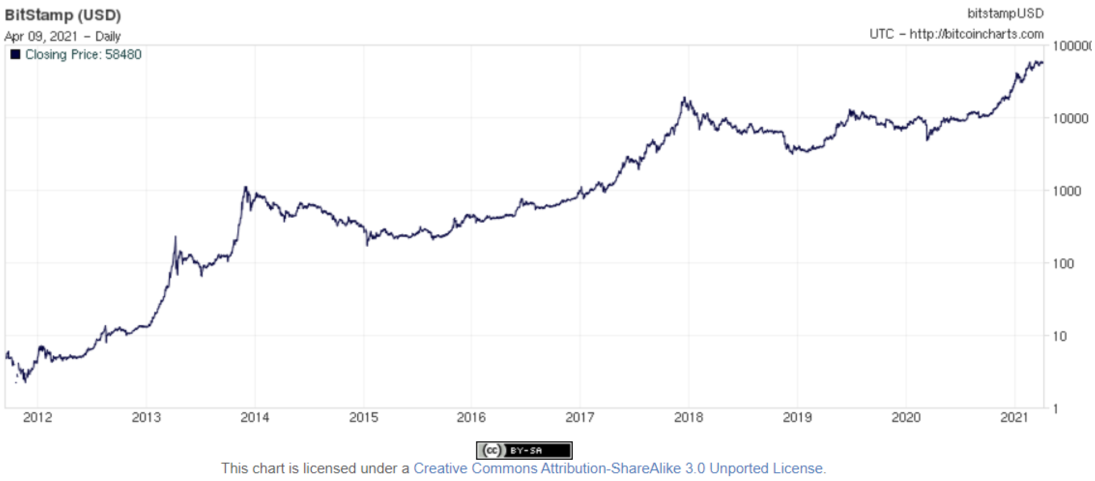
Cryptocurrencies: definitely cryptic, but not (yet) a currency?

Much of the article that follows was published back in January 2018, when crypto currencies like Bitcoin last hit ‘stratospheric’ levels and generated elation among pundits. Since then, the traded value of Bitcoin fell within a year from around $17,500 to $3,800 (a loss of 78%), only to have staged a comeback over the past 12 months, rising more than 15-fold to around $60,000. After mentioning cryptocurrencies in last week’s video update, we were asked whether we would consider ‘investing’ in cryptocurrencies in Cambridge’s investment portfolios. So, it feels appropriate to re-iterate what we stated during the last crypto hype on the subject matter, if only as a little refresher on what constitutes currencies – and investments.

Regardless of what we outline below, anyone with spare cash is free to bet on the direction of Bitcoin this time around, just as we would not want to pass judgement on anybody betting on their favourite horse in the weekend’s Grand National horserace. Just do not expect to find holdings in such a speculative trading asset in your Cambridge investment portfolio anytime soon.

Toward the end of the first quarter of 2021, Bitcoin once again became one of the welcome distractions among lockdown-fatigued market traders and technology afficionados. The hyperbolic increase in the valuation of Bitcoin over the past 12 months had people wondering whether they were ‘missing out’ on something, and (only) secondly, people began returning to the merits of Bitcoin and other so-called cryptocurrencies.

Bitcoin: Long term value development on a logarithmic scale



Source: https://bitcoincharts.com, 9 April 2021

It still seems that cryptocurrencies are not widely understood. This is perhaps to be expected. The term would appear to relate not only to the fact that Bitcoin (and others) are not conventional currencies, but also to the arcane processes underlying the ‘production’, exchange and valuation of cryptocurrencies.

To understand and assess Bitcoin (and others), it needs to be considered relative to conventional currencies. So, let us start with the concept of money more generally (and its primary functions). Money can be any accepted means of payment for goods, or the settlement of a debt; it is primarily a *medium of* *exchange*. Absent such a medium of exchange, there would simply be a barter style economy, trading one type of good for another (which is of course hugely resource and transaction-documentation intensive).

Money and currencies also provide for a *unit of account* (enabling price levels to be determined and accounts to be maintained), and represents an effective *store of value* (to the extent that it can be used to make purchases, or retained for future transactions). Clearly, there may also be other means of storing value (property, antiques, and other assets), and money as *store of value* can be impacted by many things, not least inflation. Therefore, for money to fulfil the *store of value* function effectively, its purchasing power must be relatively stable or at least predictable over time.

Historically, most currencies were based on the value of a physical commodity (usually gold or silver) in order to insure the stability of its value. However, over time, countries and governments developed and implemented the use of so-called *fiat* currencies. *Fiat* money is currency that a government has declared to be legal tender, but is not based in the value or quantity of a physical commodity (like gold or silver). This became necessary when economic growth outpaced the growth of available gold and silver, which would have led to persistent deflation if the money in circulation is fixed, but the volume required by an expanding economy increases steadily. Deflation, as we experienced in the aftermath of the global financial crisis, needs to be avoided at all costs, as it has proven to discourage consumption in the present for the expectation of lower future prices, which leads to economic depression.

The value of *fiat* money is essentially derived from the relationship between supply of money and its demand, as determined by the size of an economy and the effectiveness of its deployment, which itself is a function of the efficiency of the country's respective finance system. The value is determined by government macroeconomic policy, central bank policy and the dynamic of the respective economy to other economies of other counties, but not the value of the material from which the money is constructed (most recently in the UK, plastic polymers).

Importantly, because *fiat* money is not a scarce or fixed resource (like gold), governments and central banks control the supply (production) of money, and have control over key variables likely to influence its demand – supply balance (e.g., interest rates).

How did Bitcoin come into being? It emerged as a libertarian response to central and government control of money, and in response to the global financial crisis, as well as from alleged short-comings of the traditional banking and reserve system.

Bitcoin is not, however, a *fiat* currency, but neither is it a commodity-backed form of currency. Instead, it is a digital currency, created and stored electronically. No single entity (government, authority, or otherwise) controls its production, supply or value. Moreover, Bitcoins are not printed, like sterling and dollars. They are 'mined' by people and, increasingly, businesses, running computer software. In simple terms, it is a virtual currency and a decentralised payments network – a global peer-to-peer network, composed of thousands of users, which serves as an intermediary (like PayPal, Visa etc.). Bitcoin holders and merchants can transact without these and other third party intermediaries.

As long as such a means of exchange of value fulfils those basic and defining principles of money, in particular, relative stability (or at least predictability of value) in relation to physical goods and services, as well as omni-availability and transparency, then arguably it doesn't really matter much whether such a currency carries features like real asset backing or economy backing and government framework.

Unfortunately, it is these basic requirements of an effective currency which cryptocurrencies completely fail to fulfil. The value of a crypto 'currency' is not derived from gold or government *fiat*, but just from the value that people (and markets) assign to it. The US$-dollar value of a Bitcoin is determined on an open market, entirely on the basis how much (or how little) holders of traditional currency desire to hold of the cryptocurrency. As noted, Bitcoin valuation has accelerated 98% since the start of 2021, and achieved a massive 925% from March 2020 lows (from £4,102 in March 2020 to £42,059 on April 8, 2021), with value swings of as much 20% in a day. The exact opposite of a stable and predictable *store of value*.

Short term Bitcoin price index (Bitcoin to $-US)

Source: CoinGecko, April 2021

However, the world of virtual currency is not just about Bitcoin. Other cryptocurrencies have also risen dramatically this year, including Ethereum, Ripple, Litecoin and Dash. Each has different characteristics, allowing users and markets to treat and value each differently. While Bitcoin sees itself as an alternative to *fiat* currencies, Ethereum is referred to as 'crypto-fuel' that is not to be used as a currency. Ripple, meanwhile, is essentially currency exchange software aimed at financial markets.

As shown, Bitcoin (and others) would have to find a way of stabilising their ongoing value and achieve a wide acceptance for transactions before they can be considered as fulfilling that primary and core function of money.

For now, the Blockchain technology that was developed alongside the cryptocurrencies for their account keeping in the form of highly transparent, decentralised digital ledgers, which currently represents the most tangible value of the entire cryptocurrency movement. Its advantages can be applied to any transaction recording, be they monetary (including traditional currencies), intellectual property rights (copyright management) or real assets (land registries). Due to its open code nature (the concept itself is not protected through property rights), holders of cryptocurrencies do not acquire a stake in this potentially quite valuable technology.

It can be reasonably assumed that the recent accelerated increase in valuations did stem from a healthy mix of speculation and perhaps FOMO (fear of missing out) and not a widespread adoption of the libertarian money concept it was first conceived as. With nothing except the potentially very fleeting interest of human beings – motivated by greed rather than the desire to create a truly libertarian currency alternative – determining the intrinsic value and direction of travel of cryptocurrencies must, by definition, be random.

Global Equity Markets

Market	Fri 15:23	% 1 Week*	1 W	Technical Short	Technical Medium
FTSE 100	6919	+3.1	+205	↗	↗
FTSE 250	22190	+3.1	+672	↗	↗
FTSE AS	3948	+3.1	+117	↗	↗
FTSE Small	6978	+2.9	+198	↗	↗
CAC	6164	+1.6	+97	↗	↗
DAX	15221	+1.4	+213	↗	↗
Dow	33585	+1.3	+432	↗	↗
S&P 500	4102	+2.1	+83	↗	↗
Nasdaq	13796	+2.3	+316	→	↗
Nikkei	29768	-0.3	-86	→	↗
MSCI World	2896	+1.9	+54	⬀	↗
CSI 300	5035	-1.5	-75	↘	↗
MSCI EM	1343	+0.4	+5	↘	↗

Top 5 Gainers

Company	%
AVEVA	+10.1
Persimmon	+9.9
JD Sports Fashion	+9.9
Pershing Square Holdi	+8.6
Anglo American	+8.3

Top 5 Decliners

Company	%
Royal Dutch Shell	-1.4
Flutter Ents	-1.4
BT	-1.0
Aviva	-1.0
Stan Chartered	-0.4

Currencies

Pair	last	%1W
USD/GBP	1.373	-0.7
GBP/EUR	0.866	-1.8
USD/EUR	1.19	+1.1
JPY/USD	109.60	+1.0
CNY/USD	6.55	+0.2
Bitcoin/$	58,167	-0.9

Commodities

Cmdty	last	%1W
Oil	62.92	-3.0
Gold	1742.1	+0.8
Silver	25.20	+0.8
Copper	406.1	+1.8
Aluminium	2282.5	+2.3
Soft Cmdties	417.9	+1.4

Global Equity Market - Valuations

Market	Div YLD %	LTM PE	NTM PE	10Y AVG
FTSE 100	3.4	20.7	14.4	14.0
FTSE 250	1.8	18.4	22.0	15.4
FTSE AS	3.1	20.2	15.2	14.2
FTSE Small x Inv_Tsts	1.4	20.1	-	15.0
CAC	1.7	24.6	18.4	14.6
DAX	2.3	22.7	16.7	13.3
Dow	1.8	23.3	21.5	16.1
S&P 500	1.4	29.0	23.5	17.2
Nasdaq	0.7	35.9	34.4	22.2
Nikkei	1.3	27.7	21.6	17.5
MSCI World	1.7	26.6	21.3	16.2
CSI 300	1.7	18.3	13.7	12.4
MSCI EM	1.9	20.4	15.4	12.4

Fixed Income

Govt bond	%Yield	1 W CH
UK 10-Yr	0.78	-0.01
UK 15-Yr	1.14	-0.02
US 10-Yr	1.65	-0.07
French 10-Yr	-0.04	+0.04
German 10-Yr	-0.30	+0.03
Japanese 10-Yr	0.11	-0.02

UK Mortgage Rates

Mortgage Rates	Mar	Feb
Base Rate Tracker	1.50	1.50
2-yr Fixed Rate	1.62	1.73
3-yr Fixed Rate	1.72	1.90
5-yr Fixed Rate	1.80	1.89
10-yr Fixed Rate	2.53	2.53
Standard Variable	3.62	3.62

* The *% 1 week* relates to the weekly index closing, rather than our Friday p.m. snapshot values
** LTM = last 12 months' (trailing) earnings;
***NTM = Next 12 months estimated (forward) earnings

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12th April 2021

Please note: Data used within the Personal Finance Compass is sourced from Bloomberg/FactSet and is only valid for the publication date of this document.

The value of your investments can go down as well as up and you may get back less than you originally invested.

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