

Ready for a Restart

- Restart will be sudden
- Inflation pressure persists
- Time to rethink the 60/40 portfolio

We look at 1Q21 in review and the outlook ahead.

Macro

The economic restart will be sudden, with substantial pent up demand. Corporate and personal balance sheets have been supported which should provide confidence in investment and spending.

From a monetary policy perspective, the focus remains on the delicate balance between bond yield and inflation. Stable, negative real yields are supportive of risk assets. 10 year breakeven rates have climbed further since year-end amplifying demand for inflation-hedges.

With nominal bonds under pressure, there is support for risk-asset. Advisers looking at liquid alternatives to bonds such as property and infrastructure: need to balance the required exposure to inflation-protecting assets with up-risking client portfolios. This balancing act means it's [time to rethink the 60/40 portfolio](#).

Markets

The rebound in risk assets is made even more pronounced, owing to a base effect from last year's market lows. Timber and Listed Private Equity have been the best performing asset classes in GBP terms on a 12 month view.

For factor-based strategies, World Equity Value factor outperformed all other factors +12.3%, compared to +3.79% for World Equity, for the first three months of 2021.

The breadth and deconcentrating have been rewarded in the first quarter with equal weight US equities returning +11.49%, compared to +6.17% for the traditional cap-weighted S&P500, in USD terms, in the year to March.

Regime

Regime indicators point to markets being overbought in the near-term.

For the full update, please view our Webinar

<https://www.brighttalk.com/webcast/18493/482564>



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