



# 2021 – The year markets bounced back

It's always good to look back on the year that has just gone as this can point towards where the markets may be heading. We take a look at how global stock markets have fared over the last 12 months.

Last year was a bumpy ride for investors, but global stock markets performed strongly. Despite uncertainty still surrounding the pandemic, many indices posted double-digit gains following successful vaccine rollouts and the easing of lockdown restrictions.

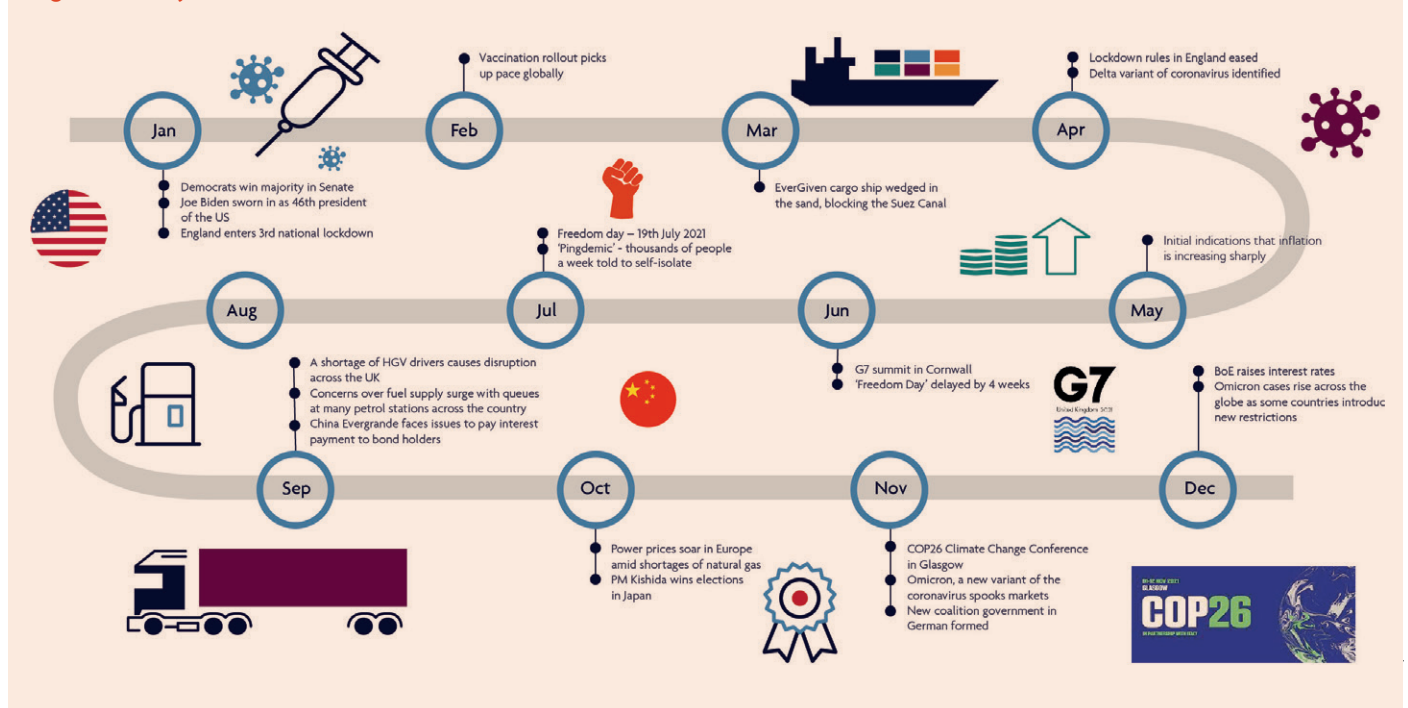
## 1. What happened?

The Covid-19 pandemic dominated the headlines once again in 2021, with economies around the world bouncing back from recession. The rapid rollout of vaccines helped bolster investor confidence, although there was a resurgence in coronavirus cases, which led to further widespread lockdowns across the UK and Europe.

The spread of new variants has extended the end of the pandemic and delayed the return to normal, hampering the global economic recovery. While economies rebounded strongly after the slump, the surge in demand for goods led to widespread supply chain issues, causing inflation to rise.

Here we summarise some of the key events impacting markets during 2021.

Figure 1: The year that was...



## 2. How did major stock markets react?

In addition to the vaccine rollout, markets were buoyed by a number of other positive developments, including economic stimulus measures, strong corporate earnings and rising consumer demand. An early vaccine rollout and less uncertainty associated with Brexit helped kick off a good start to the year for UK equities. The FTSE 100 recorded its best year since 2016 after shares recovered from the pandemic shock of 2020, rallying by 18.4% over the 12 months.

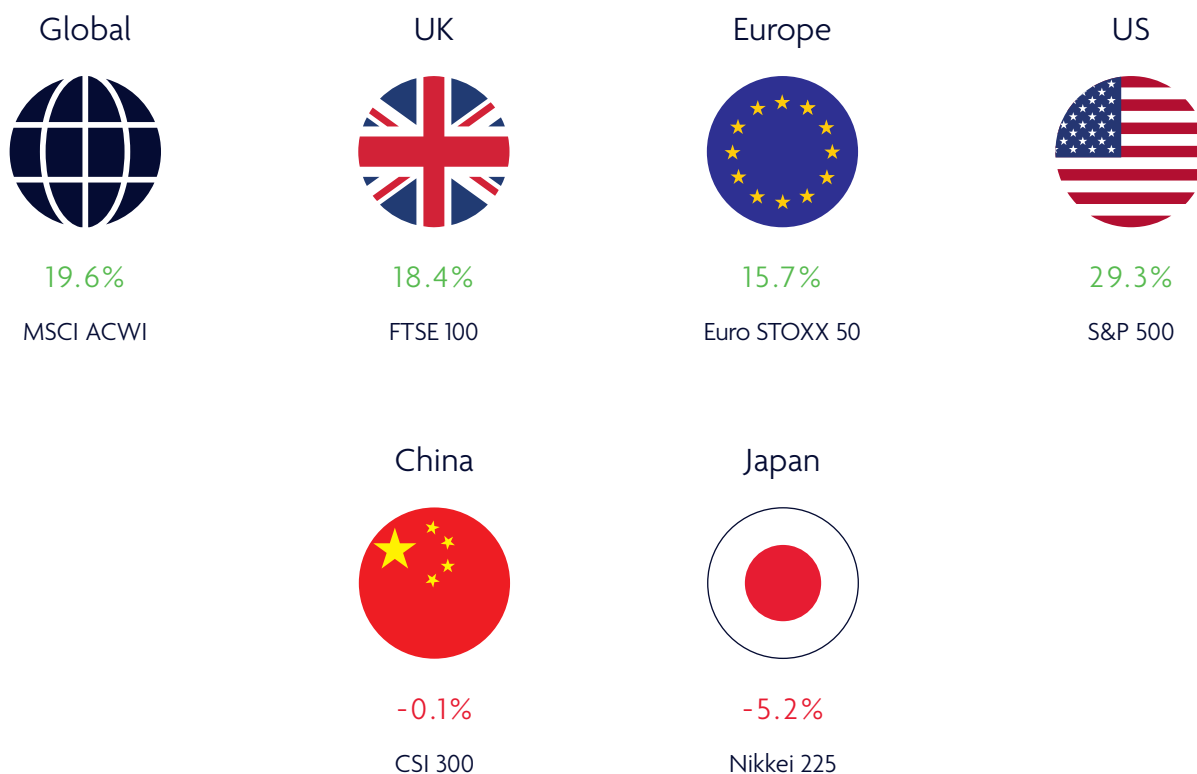
Despite a sluggish start, US equity markets posted double-digit gains as the global economy roared back into life. US corporations pulled in record profits in the third quarter, while consumer spending increased throughout the year, rebounding from pandemic lows. The S&P 500 rose 29.3% in 2021, making it the index's third straight positive year.

European equity markets were slower to recover due to the delayed vaccine rollout, which held back growth. Once the vaccine programme turned a corner allowing economies to open up, stocks surged, with the pan-European STOXX 50 index rising by 15.7%.

As lockdowns eased, companies that were tied to the global recovery fared better than some of the so-called stay-at-home stocks which were darlings of the stock market at the height of the pandemic.

Figure 2: Market performance

Total returns of major global stock market indices in 2021 (GBP)



Source: FE fundinfo - 31<sup>st</sup> December 2020 to 31<sup>st</sup> December 2021

### 3. What did it mean for investors?

While the US market had a slow start and higher volatility, it was the strongest performer in sterling terms, while UK stocks also did well. Fixed income struggled due to lower yields, rising inflation and an outlook of rising interest rates. But if 2020 taught us anything, it's that in challenging market periods bonds bring well-needed defensive properties to portfolios.

It's always tricky to pick the next best asset class. A portfolio that blends asset classes in line with your risk profile remains the best long-term approach to investing because it matches your tolerance to risk and smoothens returns from the different asset classes.

The right mix of asset classes is defined by your attitude to risk and your adviser will help you understand how much risk you can accept and determine the right portfolio for you.

To find out more about how we managed your investments in 2021, please speak to your financial advisers or visit

[www.omnisinvestments.com](http://www.omnisinvestments.com)

Figure 3: Diversify your portfolio

This table shows annual asset class returns from highest to lowest (%)

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
High yield bonds 37.1	US small cap 35.7	US equities 20.0	Japanese equities 18.2	US small cap 44.1	EM equities 25.4	Global bonds 5.1	US equities 25.7	US small cap 15.8	US equities 29.3
UK small cap 27.8	UK small cap 32.8	Gilts 13.9	UK small cap 9.2	EM bonds 33.3	UK small cap 18.2	US equities 1.0	European equities 20.5	EM equities 14.7	UK small cap 23.0
European equities 17.8	US equities 29.1	Corporate bonds 12.6	US equities 6.6	US equities 32.7	European equities 17.5	Cash 0.7	US small cap 20.2	US equities 14.1	UK equities 18.3
Corporate bonds 15.8	European equities 25.2	US small cap 11.0	High yield bonds 5.4	EM equities 32.6	Japanese equities 15.6	Gilts 0.6	UK equities 19.2	Corporate bonds 9.3	European equities 17.4
EM equities 13.0	Japanese equities 25.0	Global bonds 7.6	European equities 5.4	Japanese equities 23.4	UK equities 13.1	EM bonds -0.1	UK small cap 18.8	Japanese equities 9.1	US small cap 15.6
UK equities 12.3	UK equities 20.8	<b>Balanced Portfolio</b> <b>7.3</b>	Global bonds 2.9	Global bonds 21.9	<b>Balanced Portfolio</b> <b>10.7</b>	High yield bonds -1.7	<b>Balanced Portfolio</b> <b>15.2</b>	European equities 8.6	<b>Balanced Portfolio</b> <b>9.3</b>
US small cap 10.8	<b>Balanced Portfolio</b> <b>12.1</b>	High yield bonds 5.7	<b>Balanced Portfolio</b> <b>1.7</b>	<b>Balanced Portfolio</b> <b>19.8</b>	US equities 10.6	Corporate bonds -2.3	Japanese equities 14.9	Gilts 8.3	High yield bonds 3.8
US equities 10.2	High yield bonds 11.8	EM equities 3.9	UK equities 1.0	European equities 19.7	High yield bonds 7.9	<b>Balanced Portfolio</b> <b>-4.6</b>	EM equities 13.9	UK small cap 7.2	Japanese equities 1.7
EM bonds 9.9	Corporate bonds 1.8	Japanese equities 2.4	US small cap 0.7	UK equities 16.8	EM bonds 5.3	US small cap -5.9	High yield bonds 13.4	Global bonds 5.6	Cash 0.1
<b>Balanced Portfolio</b> <b>9.7</b>	Cash 0.5	EM bonds 1.3	Gilts 0.6	UK small cap 14.3	Corporate bonds 5.2	Japanese equities -8.6	Corporate bonds 11.4	<b>Balanced Portfolio</b> <b>4.7</b>	EM equities -1.6
Japanese equities 2.8	Gilts -3.9	UK equities 1.2	Cash 0.6	Corporate bonds 11.9	US small cap 4.3	EM equities -9.3	EM bonds 9.4	High yield bonds 4.6	EM bonds -2.8
Gilts 2.7	EM equities -4.4	UK small cap 0.9	Corporate bonds 0.5	High yield bonds 10.5	Gilts 1.8	European equities -9.5	Gilts 6.9	Cash 0.3	Corporate bonds -3.3
Cash 0.8	Global bonds -4.5	Cash 0.5	EM equities -10.0	Gilts 10.1	Cash 0.4	UK equities -9.5	Global bonds 2.7	EM bonds -1.8	Global bonds -4.4
Global bonds -0.3	EM bonds -10.2	European equities 0.2	EM bonds -12.2	Cash 0.5	Global bonds -2.3	UK small cap -9.5	Cash 0.8	UK equities -9.8	Gilts -5.2

Source: FE fundinfo - all returns as at calendar year end in GBP

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