WEBINAR SYNOPSIS

Brexit, US Elections and COVID-19: The Road Ahead

The world has seen major changes in the past year that have affected markets and economies worldwide:

- The pandemic and the resulting lockdowns contributed to slower economies but as vaccines are being distributed, the markets are showing signs of improvement.
- The US elections ushered in sweeping changes, and the current administration is making it a priority to restimulate the economy.
- Brexit slowed down the UK's track and trace abilities but it's pushing forward with new trade deals.

Below, we've summarized the key takeaways from the webinar held in February on the road ahead post COVID-19, the US Election and Brexit.

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COVID-19: The economy is down but not out

Last year, the world came to a grinding halt due to global COVID-19 lockdowns, but thanks to the rollout of vaccines, things are beginning to look up. In the 'infections versus injections' race, the UK is leading with its vaccine rollout, having fully vaccinated 25% of their adult population, with another 20% already having received their first shot. The US is vaccinating 1.5 million people per day, or 25% of their total population every two months. The EU is lagging behind; up until now Germany was only vaccinating 100,000 citizens a day, or 2.8 million a month, but is now expected to ramp that up tenfold to almost 30 million of their most vulnerable people by Easter. Both North America and Europe expect to have their most vulnerable populations vaccinated by the summer of 2021, aiming to have their populations completely vaccinated by the end of the year.

Some investors are concerned that future mutations will again slow down economic growth, however vaccine manufacturers have reduced the time it typically takes to tweak a vaccine to fight new variants from three months to just four to six weeks, which should hopefully reduce such fears. Still, the pandemic is not a fixed-period crisis but rather one we will have to learn to live with as the mutations continue.

"After the initial shock and huge hit to the GDP we saw in Q2 last year," said Gavin Friend, Senior Markets Strategist for National Bank Australia (NAB). "The perceived wisdom was that things would then gradually improve from that point on. Instead, economies around the world turned down again in Q4 amid the stop and go, more protracted restrictions and lockdowns. And Q1 this year is turning out to be a bit of a train wreck for some economies particularly in Europe and the UK."

Now for the good news: As each new strain of COVID hits and the lockdowns and restrictions are re-enacted, there are fewer economic ramifications each time. Frederic Berthier, Alter Domus Country Executive France, says that they have seen a number of large fundraising efforts from private equity fund managers and investors, who are preparing for the recovery and getting ready to seize opportunities from a pickup in GDP in most of the countries that will be driven by the reopening of economies and support from governments and central banks.

Brexit: The ups and downs of an exit

While many economists are gloomy about the economic effect Brexit has had on the UK, not all agree. Andy Haldane, the Chief Economist for the Bank of England, is more optimistic, in part because of the UK's continuing trade deal for food and agriculture with Canada that rolls over current trading arrangements. Both countries have committed to negotiating a new deal for 2021. Additionally, projections are that the forced lockdowns will result in about £250 billion in consumer savings by the middle of this year. All that pent-up demand could help the UK bounce back economically.

NAB's Gavin Friend says that while it will take some time for the UK to balance its trade and rectify some of its border issues, experts such as Haldane are looking for five percent growth this year and seven percent next year. "That would really be quite a boom," he said.

US Elections: Can Biden pass his policies?

US President Joe Biden has plans to spend big in an effort to boost the economy, but experts aren't sure whether he will be able to pass all of the reform on his agenda. As of February, he wants to enact a $1.9 trillion relief package, and spend $2 trillion on infrastructure next year. But he will need more than a simple majority of votes in Congress to get it all through.

"Politics in the US remain very polarized and the arithmetic in Congress is very tight. What's more, the post-Trump boom hasn't quite eventuated," said Friend. To top it off, investors are getting more nervous around massive deficits and ultra-easy monetary policies potentially driving inflation pressures.

Berthier also notes that the pandemic's effects on valuations have been contrasted depending on asset classes and will probably continue to diverge between sectors especially in the real estate and private equity markets.

KEY TAKEAWAYS

The lockdowns will be coming to an end in many major economies, and there is a pent-up demand that may explode once they do. The recession wasn't caused by a mass of voluntary savings but happened because the markets were closed down as the result of the pandemic and restrictions on movement. The fiscal policies of these major economies are driving the bulk of the recovery and will likely fuel the upcoming reflation.

NOTE: Figures and statistics quoted throughout are as of 16 February 2021.

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