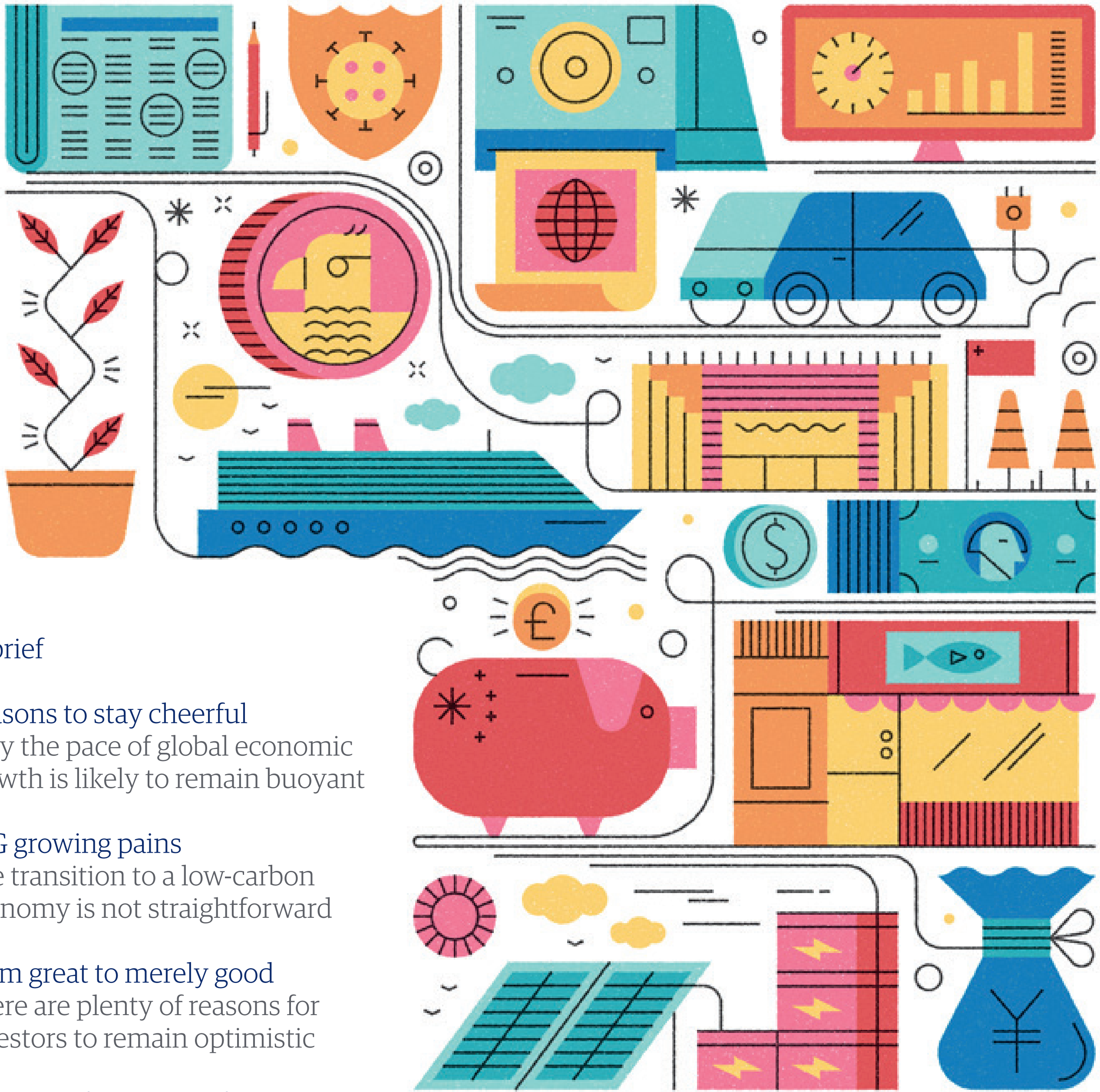
Investment*Insights*

Issue 30 — Fourth quarter 2021

Slowing down and cracking down

Although China's economic recovery from the pandemic appears to be slowing, policymakers are unlikely to loosen the purse strings in order to stimulate growth



Rathbones
Look forward

Foreword

The global economy has entered a more challenging phase of its recovery from the pandemic-induced recession. It is having to deal with a range of risks, including asynchronous waves of the Delta variant, an ongoing Chinese slowdown, and both product and labour shortages around the world.

Our lead article explores the situation in China, where economic growth is slowing down and government regulators are clamping down on businesses. What's the next move for policymakers? Will they loosen their approach to fiscal policy? We analyse the situation and the implications for investors. We also explore the regulatory clampdowns on the tech industry, along with how zero tolerance for COVID cases could affect the economic outlook.

Our next feature, on page 5, looks at the global outlook for economic growth, in what has been a tumultuous year. The effects of the pandemic are still being felt on economies around the world, but we explain why we feel growth is likely to remain buoyant. We examine the challenges facing labour markets and supply chains and what it could all mean for inflation and interest rates.

As the world awaits COP26 in Glasgow this November, the next UN conference on climate change, solar panels and electric vehicles will undoubtedly play a crucial role in global efforts to reduce carbon emissions. But as we explain in 'ESG growing pains' on page 6, it's not just what's made that matters, but how it's made, which isn't so ESG-friendly as it turns out.

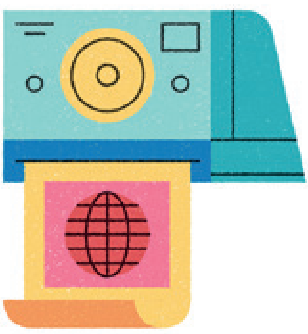
On page 8 we examine the outlook for investors, and why there are reasons to feel optimistic despite a slight slowdown in September in the markets. What should you look out for in the next few months and into 2022? From bond yields to purchasing manager indices (PMIs), we analyse where earnings growth momentum is heading and if there are any impending threats of recession on the horizon.

Lastly, we delve deeper into the issue of supply shortages, from semiconductors to HGV drivers. As the post-pandemic world demands more – can businesses match that demand? We shed some light on the complex interplay of these disruptions and the key factors that we'll be keeping an eye on to work out which businesses and sectors are most vulnerable.

I hope you and your family remain healthy and safe. We hope to be able to open offices more in the coming months, which should allow more opportunity to meet up. In the meantime, we will continue monitoring how the investment environment is evolving as the world reopens and we start to see what the 'new normal' looks like. Please visit rathbones.com to find out more about our latest views.

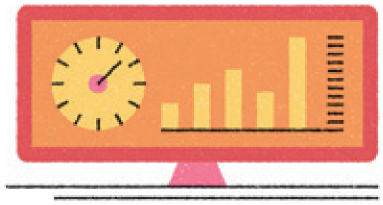
Julian

Julian Chillingworth
Chief Investment Officer



Slowing down and cracking down

With China's post-pandemic economic recovery slowing, there's been a lot of speculation that policymakers are about to loosen the purse strings. Yet we see no evidence of that happening, and the slowdown could be exacerbated by overzealous regulatory crackdowns and restrictions to contain the new variants of the virus.



Rather than China easing in response to a slowing pace of recovery, we think there's a risk that it could set both monetary and fiscal policy too tight for the prevailing conditions. We can't see any clear indication from Chinese policymakers' statements to justify speculation that the government and central bank are about to loosen their approach.

Speaking at the State Council's regular policy media press conference on 7 September, senior officials from the People's Bank of China appeared to rule out decisive easing. Instead they seem to favour various policy tools to support credit extension to small and medium sized enterprises, which form a pillar of the 'common prosperity' plan.

One indicator that our analysis suggests has a particularly good correlation with the relative performance of Chinese equities is what is known as the credit impulse. This measures the rate of change in lending to businesses and consumers relative to GDP – and it's negative at the moment (figure 1). It's not a perfect trading strategy, but Chinese equities do tend to underperform global equity markets when this is the case. Intuitively, it makes sense that a slowing pace of lending would have knock-on effects on spending and investment, and ultimately growth in the economy and corporate profits.

If you combine this credit impulse with the fiscal impulse (the pace of change in government borrowing), it's even more negative. The risk of more tightening may have diminished, but with credit growth at its slowest in 32 months, the usual lags mean tight credit conditions are likely to remain a headwind for the Chinese and broader emerging markets (EM) in the near term. As figure 2 (overleaf) shows, the MSCI EM Index has tended to underperform when China's combined credit and fiscal impulses have been negative.

Cracking down

The recent regulatory onslaught in China could exacerbate these headwinds. But we think second guessing Communist Party policy, or assuming that the Washington consensus (free trade, free markets and low regulation) will prevail would both be foolish. South Korea and Taiwan, the greatest success stories of the later twentieth century, succeeded with corporatist and interventionist policies, not liberal ones.

Even in the West, the golden age of growth, the boom of the 50s and 60s, was a time of greatly increasing regulation. In other words, Beijing could hit a very profitable sector hard, even if that contradicts economic principles popular in the West, if it believes – rightly or wrongly – that the net effect of redirecting capital elsewhere would be beneficial.

The recent regulatory onslaught in China could exacerbate these headwinds. But we think second guessing Communist Party policy, or assuming that the Washington consensus will prevail, would be foolish

Figure 1: Taking the market's pulse

This chart shows China's credit impulse, which is the rate of change in lending as a proportion of GDP. It's been falling this year as businesses and consumers have become more cautious.

Source: Refinitiv, Rathbones.

Past performance is not a reliable indicator of future performance.

Most importantly, investors shouldn't ignore what Beijing is telling them. The Didi restrictions (see box 'Cracking down') followed naturally from the sweeping Cybersecurity Law passed earlier this year. Beijing has also been very clear that it doesn't want the service sector's share of the economy to grow to larger than it is already at over 50% (the details are in China's 14th Five Year Plan). In addition, it doesn't want to de-industrialise because it believes that would worsen social inequality and is unlikely to propel the nation out of what economists call the middle-income trap. In this situation, a developing nation loses its competitive edge in the export of manufactured goods due to rising wages and is unable to keep up with more developed nations in high value-added markets.

So the run of regulations may not be idiosyncratic or company specific but strategic, about redirecting capital to sectors, such as tech hardware, that are part of Beijing's goals. An article in the Chinese Communist Party's (CPC) mouthpiece China Daily in September described how "in view of the savage growth and disorderly expansion of some platform enterprises... [the CPC will]... increase anti-monopoly supervision, investigate and punish the monopolistic and unfair competition behaviour of the relevant platform enterprises in accordance with the law".

Regulatory risks

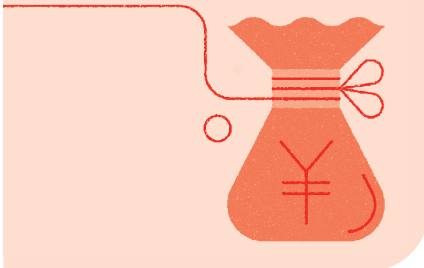
That means regulation could run and run, not necessarily de-railing the investment case for China or its digital services companies. Certain businesses can still take a greater share of the services pie even if the service won't grow relative to the manufacturing pie anymore. However, investors should probably demand a higher discount for these companies (lower price-to-earnings ratio) because of the increased regulatory risk. Relative to the MSCI World index, the valuation of the MSCI China index is still in the middle of the same range it's traded in for the last five years, leaving some scope for underperformance over the coming months.

Lastly, China's zero-COVID approach also risks further restraining growth. Even though the case numbers look minuscule compared to Western numbers, vaccine take-up is low in China and this raises the prospect of the authorities imposing hard lockdowns to contain the virus. Delta cases have now been reported in over half of China's provincial-level regions, including Beijing, and nearly all of them were warning against unnecessary travel by late September.

This may in turn lead to looser fiscal and possibly monetary policy, but we suspect concerns over a slowing pace of growth in China will persist for now. We've had a cautious view on China all year, mainly predicated on the risk that money is too tight. The regulatory and COVID crackdowns add weight to the argument.

Cracking down

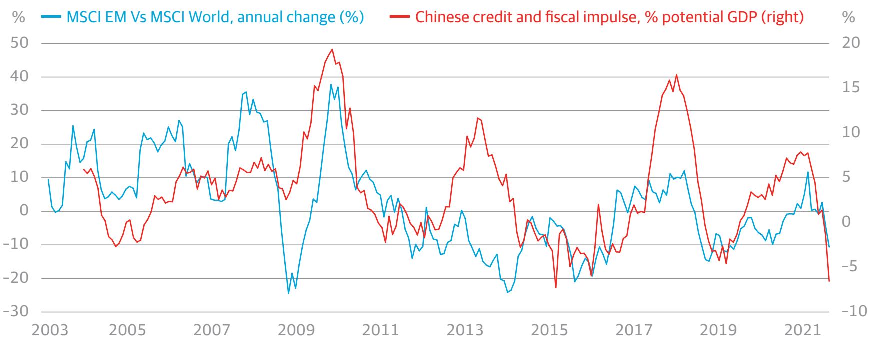
The Chinese government has been widening its crackdown on businesses that don't toe the Communist Party's line. One target is private tutoring, an industry worth $100bn in revenue, which it decreed can now only operate without profit. Another is the video games industry, with children now limited to just one hour online on only Fridays, Saturdays and Sundays. Meanwhile, authorities ordered Didi to remove its ride-sharing app from domestic online stores.



The run of regulations may not be idiosyncratic or company specific but strategic, about redirecting capital to sectors, such as tech hardware, that are part of Beijing's goals.

Figure 2: Chinese tightening is weighing on emerging market equities

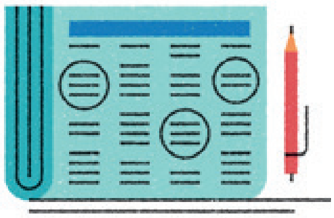
The MSCI Emerging Markets index has tended to underperform when China's combined credit and fiscal impulses have been negative.



Source: Refinitiv, Rathbones.

Past performance is not a reliable indicator of future performance.

Why the pace of global economic growth is likely to remain buoyant



As many of us begin to ease back into our office chairs, we can't pretend to be sitting particularly comfortably. A lot of things are looking a lot more uncertain than they were at the start of the summer – the Delta variant, a slowing recovery in China and sometimes severe product and labour shortages. We don't think this all means the rebound from the pandemic is stalling. Far from it, we see global economic growth staying buoyant versus its pre-pandemic norms.

Are labour markets working?

Much supply chain disruption seems driven by chronic labour shortages in some industries and sectors. COVID-19 has thrown a huge spanner into labour markets' supply and demand patterns, particularly in the US and the UK. Fast-growing sectors haven't got enough staff, while others in terminal decline probably won't ever rehire all the people they've shed. Hiring bottlenecks will take time to clear as people may need retraining before coming back to work in new occupations.

We're certainly not overly positive about how quickly supply chains and labour markets can adjust to cope with post-pandemic demand. The extent of the dislocation in labour markets in particular is unprecedented in the modern era. But we are relatively optimistic that this won't trigger the persistent wage growth that might risk inflation getting permanently entrenched at its current high levels or spiralling further upward.

There just seems to be too much slack (more workers than jobs) in labour markets. Understandably, some people who are currently out of work may need time to accept that the jobs they had are never coming back. When they do, more people will likely be freed up to fill to jobs in sectors facing chronic staff shortages. The end of the UK's furlough scheme at the end of September, for example, may see more companies folding or downsizing, providing a supply of workers looking for alternative employment.

Some modest cooling in growth could be a good thing for inflation jitters – it seems to be curbing the price pressures. Many commodity prices have fallen back, some aggressively. US lumber prices, for example, are down by 70% from their recent peak. But just as key commodity prices have been retreating, supply logjams have been getting worse and driving up the costs of getting vital stuff out to customers. Shipping costs are spiralling higher and surveys suggest that many businesses' inventory levels are exceptionally low. The good news is that business sentiment in general remains buoyant according to leading indicators such as purchasing managers indices (PMIs). Despite a sharp Delta-wave, PMI readings across the eurozone for example have suggested resilient business confidence (figure 3).

The policy direction of travel

Policymakers have long been arguing that inflationary impulses would prove too "transitory" to warrant policy tightening as the world is still recovering from COVID. The US Federal Reserve (Fed) has also emphasised that it won't consider increasing rates from their rock-bottom levels until they see signs of a healthy and resilient labour market. We agree that inflation won't stay stuck at current levels. But there is more uncertainty around where inflation is headed than there has been in a long time, and we also think inflation will settle at a higher level than before the pandemic. In the short term, there's a growing risk that "transitory" might be a bit longer than the market is currently pricing in.

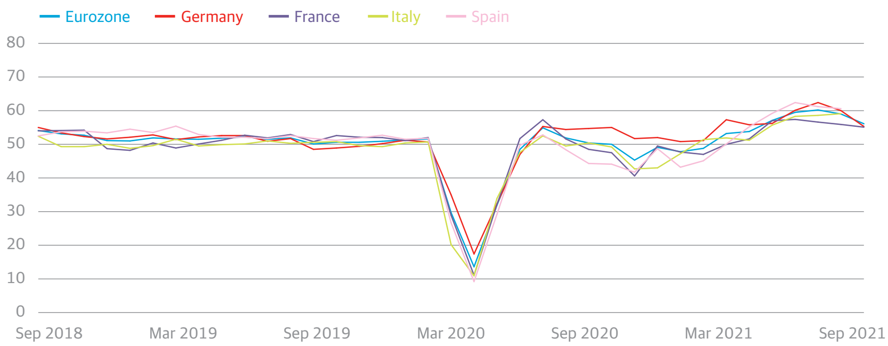
At the same time, quick fixes to big labour market stresses seem elusive. The balance of probabilities seems to favour the Fed holding off on interest rate hikes for now. But there is a significant risk of bond yields and inflation expectations rising, or at least getting more volatile, between now and the year end.

For more on what this all means for investors, see 'From great to merely good' on page 8.

We're not overly positive about how quickly supply chains and labour markets can adjust to cope with post-pandemic demand. But we are optimistic it won't trigger the persistent wage growth that might risk inflation spiralling upward.

Figure 3: European businesses remain confident

Despite a sharp increase in the Delta variant of the coronavirus, PMI readings across the euro area have suggested resilient business confidence.



Source: Refinitiv, Rathbones.

Past performance is not a reliable indicator of future performance.

The transition to a low-carbon economy is not straightforward

If you saw a sausage being made, I wonder if you would still want to eat it? A product could be highly desirable in its final form but its journey there may leave a bitter taste.

As the world grapples with climate change and demand for renewable energy grows, it's important to consider the complex manufacturing processes behind the products that are involved, such as solar panels and electric vehicles (EVs). Although they bring positive change in their final form, it's not just what's being made that matters, but how.

A whole lifecycle assessment considers conception, design, manufacture, use and disposal from an environmental, social and governance (ESG) perspective. It's a helpful lens through which to view these issues (figure 4). For instance, solar panels bring a huge benefit by replacing heavily polluting fossil fuels, but how does their production stack up?

Making solar panels is a complex process. It includes mining minerals and metals, processing materials, manufacturing panels and then there's the transportation between each stage to consider. China has the majority market share in the mining and processing of the minerals needed and holds a major role in most stages of the supply chain – in fact, the country produces more than 70% of the world's solar panels.

However, there have been links to forced labour in the manufacturing of polysilicon that implicate a significant swathe of the whole solar panel industry. According to Nathan Picarsic, co-founder of the consultancy Horizon Advisory, "The problem seems like it may be fairly pervasive." The solar panel supply chain has a dark side.

The global supply base for photovoltaic (PV) products is also concentrated in China, which produces over 90% of the world's silicon wafers needed for these products. Chinese state-linked company Huawei, better known for telecommunications equipment and consumer electronics, has also become one of the world's largest suppliers of solar inverters, a critical part of solar PV systems that converts direct current power generated by solar panels into alternating current electricity to power electronics in homes and businesses.

Large swathes of the power grid in western economies could become dependent on a critical piece of state-linked Chinese electronic equipment, rendering that grid especially vulnerable to outside disruption or manipulation.

Powered by minerals

A global transition from fossil fuel-powered vehicles to EVs may ultimately be what our climate needs, but the production of billions of EV batteries this requires presents other challenges. These batteries need minerals, such as cobalt, lithium and nickel, and they can only be mined in mineral-producing countries (figure 5).

Some of the minerals required are critical, which means substitutes are limited and supplies are geographically concentrated. Opinions differ on the likelihood of a long-term shortage, but there are certainly risks connected with some minerals, such as cobalt in the Democratic Republic of the Congo.

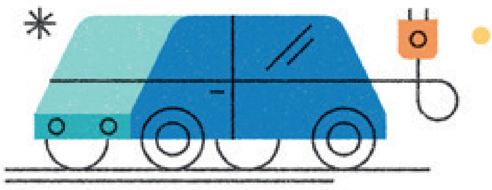
Over half of global cobalt production comes from the Congo but governance issues in the country mean its supply has a serious impact on human rights. Unregulated cobalt mining is linked to regular risk of injury and death due to

Figure 4: The manufacturing lifecycle

As the world grapples with climate change, it's important to consider the complex manufacturing processes behind the products that are involved.

Source: Rathbones.

Past performance is not a reliable indicator of future performance.



mine collapses, lung disease from particle inhalation, and child labour concerns, with weak enforcement of health and safety standards or child labour rules.

Mismanaged mineral supply chains can exacerbate local environmental and governance challenges. For instance, indigenous communities around Chile's Atacama salt flat (the world's richest reserves of lithium) have recently been protesting against mining activities amid rows over social inequality and environmental concerns. There's a serious human and environmental impact to sourcing the enormous volumes required to meet demand.

Consumers incorrectly disposing of batteries really doesn't help. If we're all absent-mindedly chucking our batteries in the bin instead of recycling them properly, these minerals go to waste. Batteries are used all around the world, so that really adds up.

Just how green are EVs?

Bearing all these issues in mind, just how green are EVs compared with traditional internal combustion engine vehicles? EVs don't rely on fossil fuels to operate, which gives them a significant greenhouse gas emission advantage over traditional engines.

The manufacturing journey of these EVs, however, does have greenhouse gas impacts, and that's the issue. Extracting and processing minerals for batteries, producing the batteries, and generating electricity to charge them require energy inputs (often derived from fossil fuel sources) all of which emit greenhouse gases.

Huge efforts are being made to lower the damage caused by manufacturing EVs and some experts anticipate a 50% reduction in the lifecycle emissions of an average EV by 2030. The good news is in terms of other harmful air pollutants, EVs are responsible for a fraction of pollutants, such as nitrogen oxides and particulate matter, that traditional vehicles emit. EVs may not be perfect, but they do cause less damage than the traditional fossil fuel-driven internal combustion engines.

Transportation accounts for around a quarter of global energy-related greenhouse gas emissions, and road transport makes up nearly three-quarters of that, according to the Intergovernmental Panel on Climate Change. In an effort to combat climate change, governments around the world have adopted increasingly stringent emissions limits for light-duty vehicles like passenger cars.

While the industry has met these higher standards through incrementally improving the internal combustion engine, vehicle aerodynamics and tyre technologies, proposed regulations in some automotive markets will require a step change.

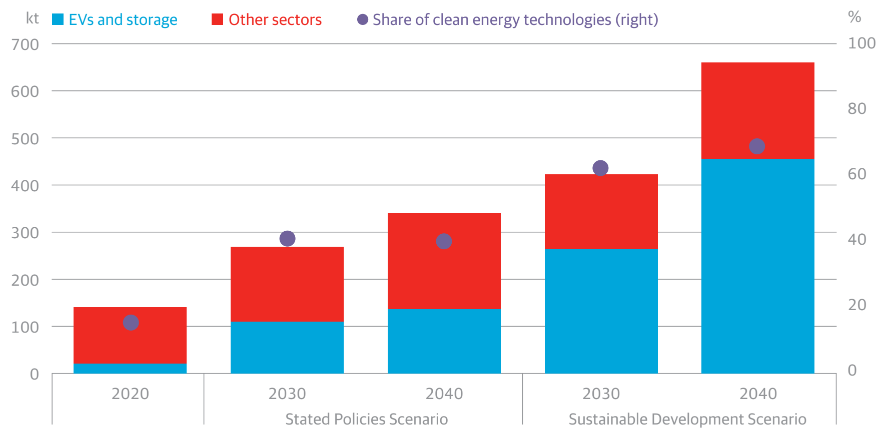
Suppliers should develop a realistic point of view on EV adoption in key markets that takes into account the technological and regulatory landscapes and consumer preferences. Then they must take a critical look at product portfolios and determine which components could see slowing demand as EV sales increase.

Solar panels and EVs are playing a major role in the move away from our dependence on fossil fuels, but they aren't magic bullets. The journey to the final product is clearly not without its ESG risks. Yet this transition could also create opportunities to invest in the creative solutions to avoid them. As responsible investors, we just need to look beyond the products themselves to how they are made, and recognise that there will be ESG growing pains.

Mismanaged mineral supply chains can exacerbate local environmental and governance challenges.

Figure 5: Total cobalt demand by sector and scenario (2020–40)

Over half of global cobalt production comes from the Democratic Republic of the Congo but governance issues mean its supply has a serious impact on human rights.



Source: IEA, Rathbones.

Past performance is not a reliable indicator of future performance.

There are plenty of reasons for investors to remain optimistic

A great milestone was reached in the spring of this year, as global economic output rose above pre-pandemic levels – a far faster rate of recovery than thought likely a year earlier when the world was still in lockdown. Still, after a stunningly good third-quarter earnings season and with valuations running high, stock markets had started to drift lower in September in the face of a raft of economic and COVID-related uncertainties. As economic growth rates go from great to merely good, is that good enough to keep investors happy?

There are concerns that the strong momentum in earnings revisions that we've seen since the COVID recovery began may be slowing and forecasts for profit growth could start to fall. A short-term correction in equity markets can't be ruled out, but we believe corporate earnings in general should hold up along with the still-strong economic recovery (you can read more about our outlook for the global economy in 'Reasons to stay cheerful' on page 5).

Inflation expectations

The spread of possible outcomes for inflation expectations, and by extension bond yields, is unusually wide at the moment. There may be little room for disappointment in popular shares that are trading at high valuations, particularly in growth-oriented markets where some share prices have doubled or even tripled over the last few years.

What should we be looking out for? Bond yields for one – they are very low and vulnerable to the higher inflation we've been seeing. Our analysis shows that equity market valuations have had a strong correlation with real bond yields (yields minus inflation) over the last five years (figure 6). If this were to hold, a one percentage point rise in real yields could send PE ratios (prices relative to earnings) down by 2.5 points for the MSCI World. A fall in valuations this year (prices in general haven't kept pace with the growth in earnings) is already reflecting a small increase in real yields.

Back in June we were seeing some risk that leading economic indicators could come down from their peaks, which would especially hurt companies with greater sensitivity to the economic cycle (so called cyclical stocks). These cyclical shares had enjoyed an unprecedentedly strong run until the spring of this year.

Business activity

One of the key indicators to look out for in this regard is purchasing managers indices (PMIs), which are surveys of business activity and expectations. Our analysis suggests that if PMIs stay above 55 (below 50 usually denotes a contraction), earnings growth momentum should continue. While we see them staying comfortably above 50, there is a risk they could fall below 55 and earnings growth could lose some steam.

Right now, we see little risk of slowing growth morphing into a full-blown recession over the next six months, or of central banks making a policy mistake that either leads to rampant inflation or prematurely chokes off the recovery. Surveys of business leaders suggest a cautious optimism that should help keep the nascent recovery in capital spending going. Economic growth may be past its peak, but it's still strong. Historically there has been some volatility around such inflection points, but only a temporary pause in rising markets.

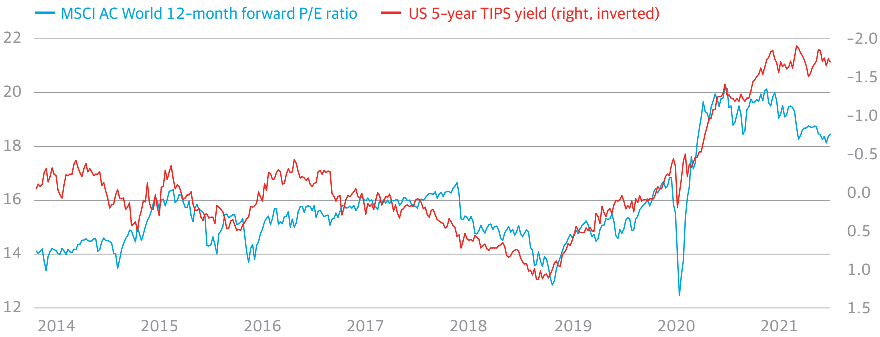
With the more uncertain economic backdrop, we think it makes sense to adopt a 'barbell' approach – with some growth and defence at one end of the portfolio, balanced with some value at the other.

These would roughly fall into the respective camps of those that would hold up better in harder times and those that would do well if the overall market continues rising on recovery hopes.

Surveys of business leaders suggest a cautious optimism that should help keep the nascent recovery in capital spending going.

Figure 6: Real yields and equity valuations

Our analysis shows that equity market valuations have had a strong correlation with real bond yields (yields minus inflation) over the last five years.



Source: Refinitiv, Rathbones.

Past performance is not a reliable indicator of future performance.

How will supply shortages disrupt company profits and share prices?

From semiconductors to HGV drivers and CO_2, supply-chain disruption has met an explosion in demand as the world emerges from the pandemic and pent-up household savings are unleashed. After a period of earnings upgrades, as companies saw better-than-expected demand for their products, suddenly there are doubts as to whether they can even meet this demand. That leaves earnings forecasts uncertain and share prices vulnerable. It's complicated and the impact will vary widely between businesses and sectors. What should investors be looking out for?

Deficiencies in the availability of labour, transportation and components all seem to be contributing to a perfect storm for global supply chains. Shortages of gas, chemicals, metals, lumber and semiconductors, among other products and components, are having a significant knock-on effect on other industries. Freight rates have also risen sharply amid port congestion and labour shortages, while there is a lack of truck drivers across the US and Europe, leading to delays and higher transport costs. Companies are also struggling to hire, with job vacancies at record levels in both the US and UK.

Production challenges

Evaluating the risk to companies from supply shortages is complex and challenging – there are a number of factors to consider. Some sectors seem to be harder hit than others. Shortages in semiconductors are particularly acute, which is making it difficult for companies in other sectors to produce their end products. In the US, inventories relative to sales are at historically low levels (figure 7). The sharp fall in the production of new cars, which remain stuck on the assembly line with no semiconductors to run them, is a notable example.

Location of supply chains has been an important factor, for reasons that would've been impossible to predict. Supplies have been disrupted for Apple and Samsung because of factory closures in Vietnam, which is also where about 40–50% of footwear sold by Nike and Adidas comes from. Nike recently lowered its revenue forecasts due to supply chain issues.

Companies with local suppliers may be less likely to be hit with higher transportation costs and COVID disruptions, although they do face the challenge of finding drivers. So, supply of lorry drivers aside, this may be one example of the benefits of reshoring.

Size can also be important. Larger companies are likely to have more purchasing clout and deeper or better relationships with suppliers. UK housebuilders are a good example. Whereas small and medium-sized builders are struggling to source key materials, such as roof tiles, cement and timber, the larger housebuilders have so far been able to manage the situation.

Self-sufficiency wins the day

Vertical integration has also proved to be an advantage in some instances. For example, some housebuilders produce their own tiles, bricks and timber, giving them greater security of supply. This operating model may not have been popular in the heyday of globalisation and free trade, but it's proving to be good insurance against global supply disruption today.

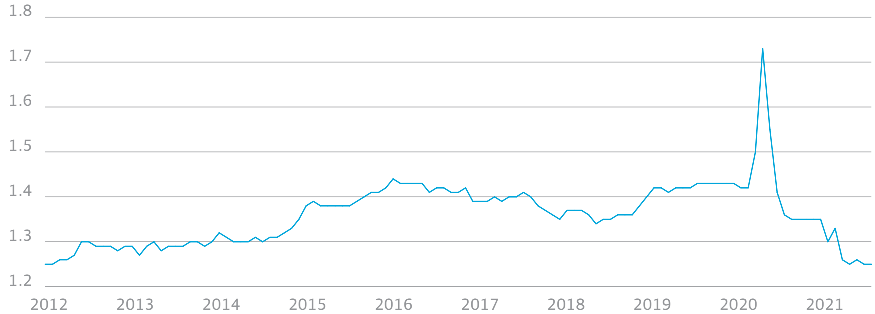
Some of the businesses that continued to invest through the crisis also seem to be reaping rewards from that capital they spent by being better positioned to meet demand. Companies who treat their employees better, for example by paying in full through the pandemic, may find it easier to recruit and retain staff and therefore manage labour pressures.

Lastly, a key consideration is how easy it is for companies to manage the higher costs they are facing due to supply constraints. The ones who can do this through operating efficiencies and their ability to raise prices without crimping demand will be better able to weather this supply disruption. Some companies have contracts with customers that automatically enable them to pass on higher costs and some will be able to due to the strength of their products and competitive position. However, others may not have the same level of pricing power.

We will be keeping an eye on all of these factors as we navigate through this uncertain period of global supply chain disruption and look to the risks and opportunities that lie ahead.

Figure 7: Total US business inventories as a proportion of sales

Shortages of vital components and transportation bottlenecks are making life difficult for companies across the economy, from car manufacturers to housebuilders.



Source: US Census Bureau, Manufacturing and Trade Inventories and Sales, September 16, 2021.
Data adjusted for seasonal, holiday and trading day differences but not for price changes.

Past performance is not a reliable indicator of future performance.

Financial markets

Stock market indices in the US and Europe hit record highs early in the quarter, before retreating in September amid concerns about inflation, labour shortages and supply-chain issues. Yet they were underpinned by expectations that central banks will continue to support markets with low interest rates and asset-purchase programmes.

A stellar earnings season helped to boost markets early in the quarter, with many firms beating strong expectations. Notably, big energy companies reported bumper quarterly profits, boosted by the higher price of oil, still their main source of income despite the industry's move to cleaner fuels.

Fixed income investors continued to face uncertainty about near-term economic growth, inflation, fiscal policies and the tapering of quantitative easing (QE). After being little changed for most the period, major government bond yields jumped higher as US and UK central bankers became slightly less sanguine about the transitory nature of the recent spike in inflation.

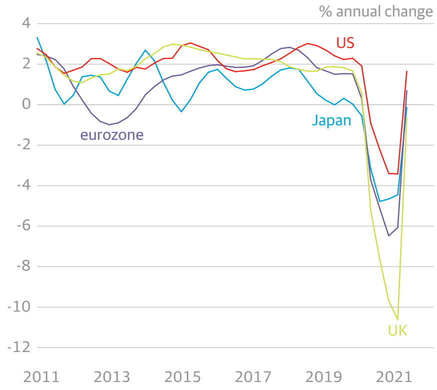
Ups and downs for commodities

Gold gave back gains it made at the height of the inflation scare during the spring. As these fears subsided, prices remained underpinned by continued demand as negative real (inflation-adjusted) yields boosted the allure of this non-yielding asset.

Soaring energy prices have pushed up inflation. For instance, prices for natural gas hit new highs in Europe due largely to supply disruptions. While not facing the same supply-chain issues, Brent crude prices also continued their year-long gains amid rising demand from reopening economies.

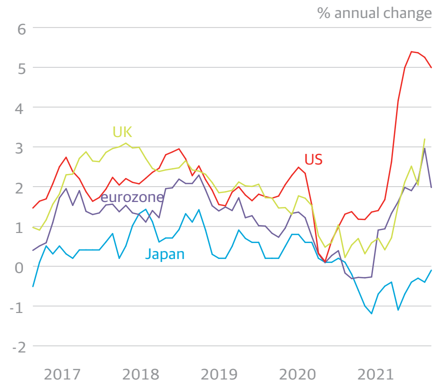
In contrast, the prices of some industrial commodities have retreated from their rebound in the early stages of recovery. They include iron ore which fell heavily in September, owing largely to China's restrictions on the property development sector.

GDP growth



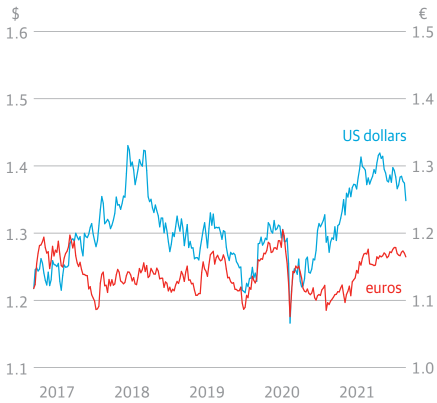
Source: Factset and Rathbones.

Inflation



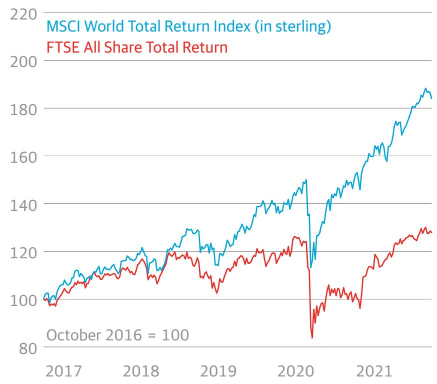
Source: Factset and Rathbones.

Sterling



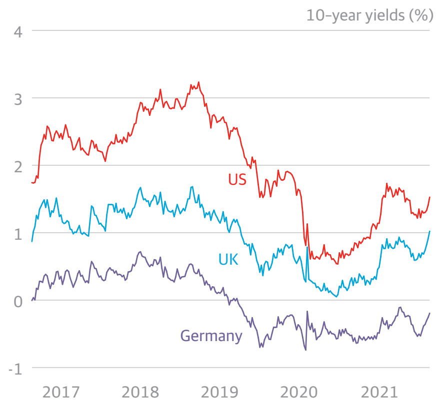
Source: Factset and Rathbones.

Equities



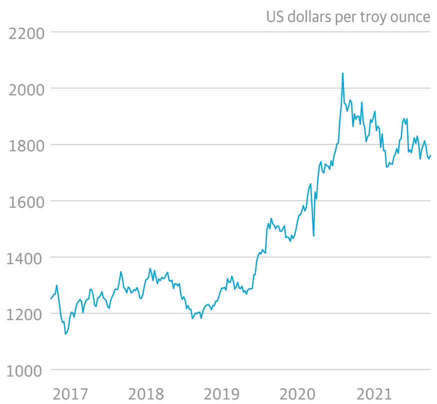
Source: Factset and Rathbones.

Government bonds



Source: Factset and Rathbones.

Gold



Source: Factset and Rathbones.

Past performance is not a reliable indicator of future performance.

Important information

This document and the information within it does not constitute investment research or a research recommendation.

The value of investments and the income generated by them can go down as well as up.

Rathbone Investment Management International is the Registered Business Name of Rathbone Investment Management International Limited, which is regulated by the Jersey Financial Services Commission. Registered office: 26 Esplanade, St. Helier, Jersey JE1 2RB. Company Registration No. 50503.

Rathbone Investment Management International Limited is not authorised or regulated by the Prudential Regulation Authority or the Financial Conduct Authority in the UK. Rathbone Investment Management International Limited is not subject to the provisions of the UK Financial Services and Markets Act 2000 and the Financial Services Act 2012; and, investors entering into investment agreements with Rathbone Investment Management International Limited will not have the protections afforded by those Acts or the rules and regulations made under them, including the UK Financial Services Compensation Scheme.

This document is not intended as an offer or solicitation for the purchase or sale of any financial instrument by Rathbone Investment Management International Limited. The information and opinions expressed herein are considered valid at publication, but are subject to change without notice and their accuracy and completeness cannot be guaranteed.

Rathbones and Rathbone Greenbank Investments are trading names of Rathbone Investment Management Limited, which is authorised by the PRA and regulated by the FCA and the PRA. Registered Office: Port of Liverpool Building, Pier Head, Liverpool L3 1NW. Registered in England No. 01448919. Rathbone Investment Management Limited is a wholly owned subsidiary of Rathbone Brothers Plc.

If you no longer wish to receive this publication, please call 020 7399 0000 or speak to your regular Rathbones contact.

Investments can go down as well as up and you could get back less than you invested.
Past performance is not a reliable indicator of future performance.

Contacts

Call:
020 7399 0000

Visit:
rathbones.com

Email:
enquiries@rathbones.com

For specialist ethical, sustainable and impact investment services:
Rathbone Greenbank Investments
0117 930 3000
rathbonegreenbank.com

For offshore investment management services:
Rathbone Investment Management International
01534 740 500
rathboneimi.com

@Rathbones1742

Rathbone Brothers PLC

Rathbone Brothers PLC