

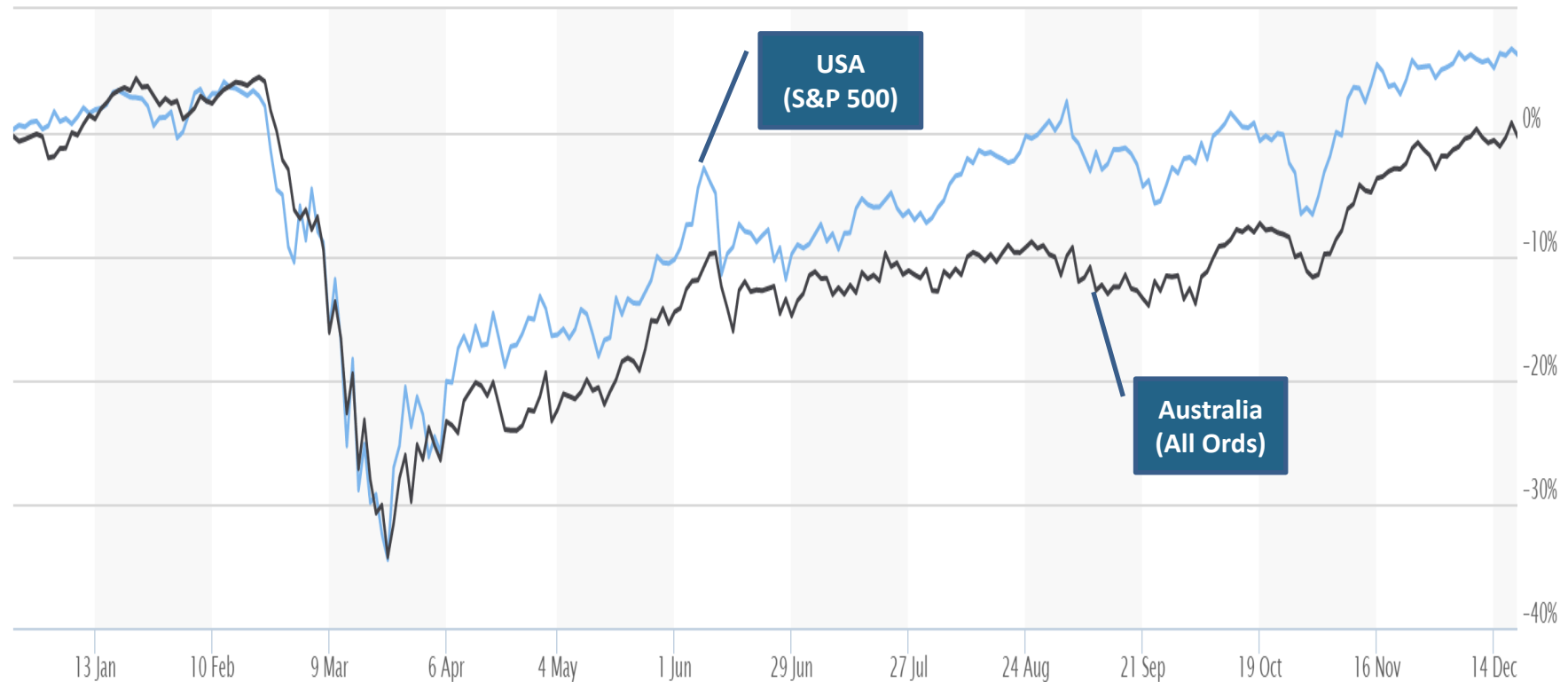


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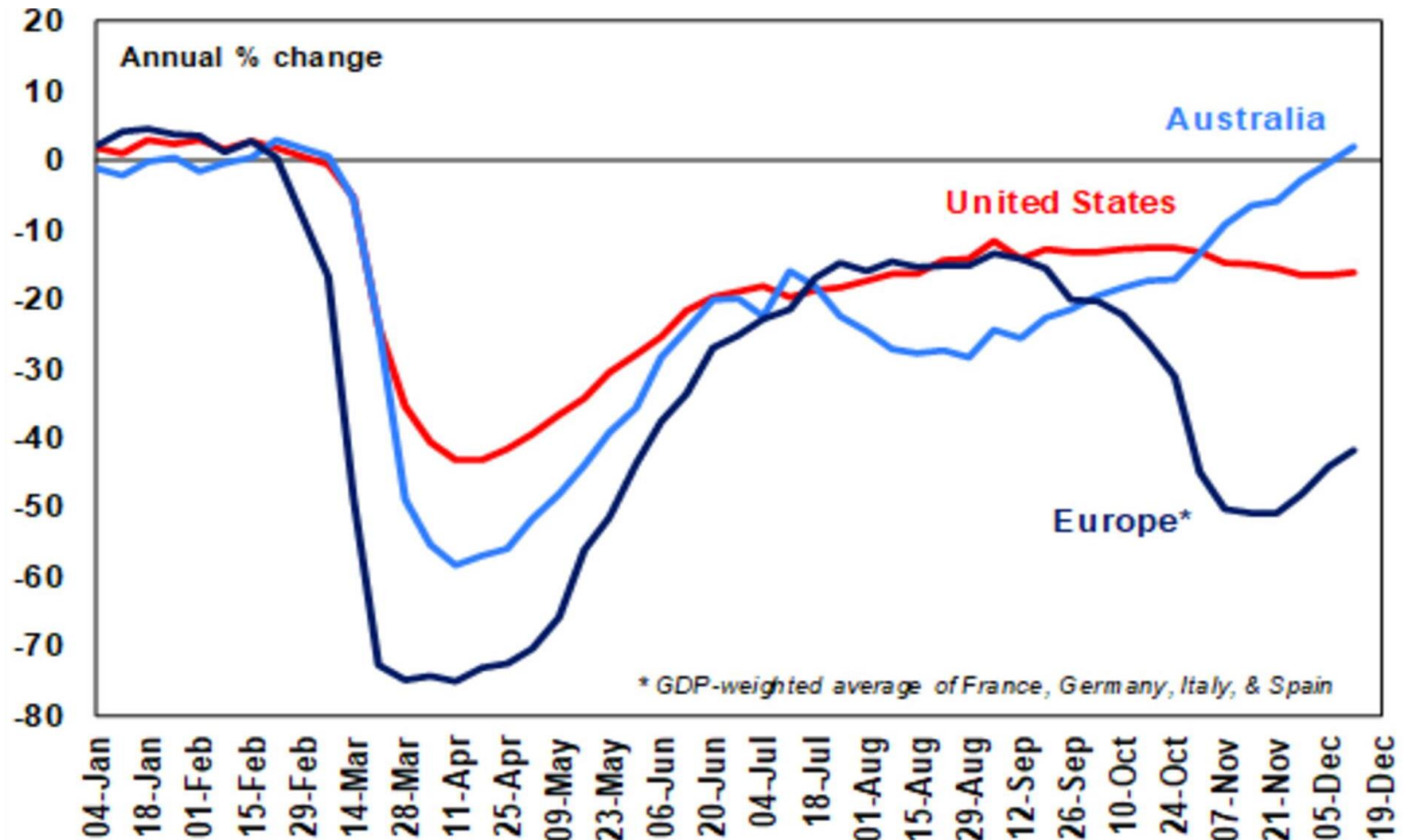
**Investment Market Update**  
**January 2021**



# 1 year share market performance



# 1 year economic performance



This chart tracks weekly job data, restaurant bookings, people movement, credit card transactions, spending, retail foot traffic and hotel bookings. This data gives us a good read on how the real economy is doing.



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# What lies ahead?

2020 was a year that brought the world the most pronounced economic shock in generations due to impacts of COVID-19.

Fixing the health crisis, which created a financial crisis, is still the key. **The vaccine is critical!**

Current vaccine trials have surpassed even the most optimistic assumptions which suggest that by the middle of 2021 we may have vanquished our greatest pandemic fears and can look confidently to better times ahead.

A challenging period no doubt lies ahead. Economic recovery is likely to be uneven and extend beyond the next year. We expect monetary and fiscal support (basically government spending and low interest rates) to continue their crucial role in sustaining the recovery.

We expect that the pace of economic recovery will be inextricably linked to health outcomes.

A degree of population immunity will be required before consumers are comfortable engaging in face-to-face activities. Only then can economies regain a solid footing.



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# Our base case for vaccine

	Downside risk	Base case	Upside surprise
	<b>10%</b>	<b>60%</b>	<b>30%</b>
<b>Immunity gap</b>	Little progress on infection immunity by end of 2021	Major economies achieve infection immunity by second half of 2021	Major economies achieve infection immunity by first half of 2021
<b>Reluctance gap</b>	Social and business activity hampered through 2021	Social and business activity normalizes by the second half of 2021	Social and business activity normalises in the first half of 2021
<b>Economic recovery</b>	<p>Labour market scarring possible given persistently high and long-term unemployment</p> <p>Inflation persistently below target</p> <p>Pre-pandemic level of output not achieved in 2021</p>	<p>Unemployment rate falls through year-end 2021</p> <p>Inflation moves toward target in 2021</p> <p>Pre-pandemic level of output reached by second half of 2021</p>	<p>Unemployment rate falls and full employment is achieved by end of 2021</p> <p>Inflation overshoots in 2021</p> <p>Pre-pandemic level of output reached by first half of 2021</p>

Downside = investment markets would likely see share prices fall

Base case = investment markets would be good with prices increasing modestly

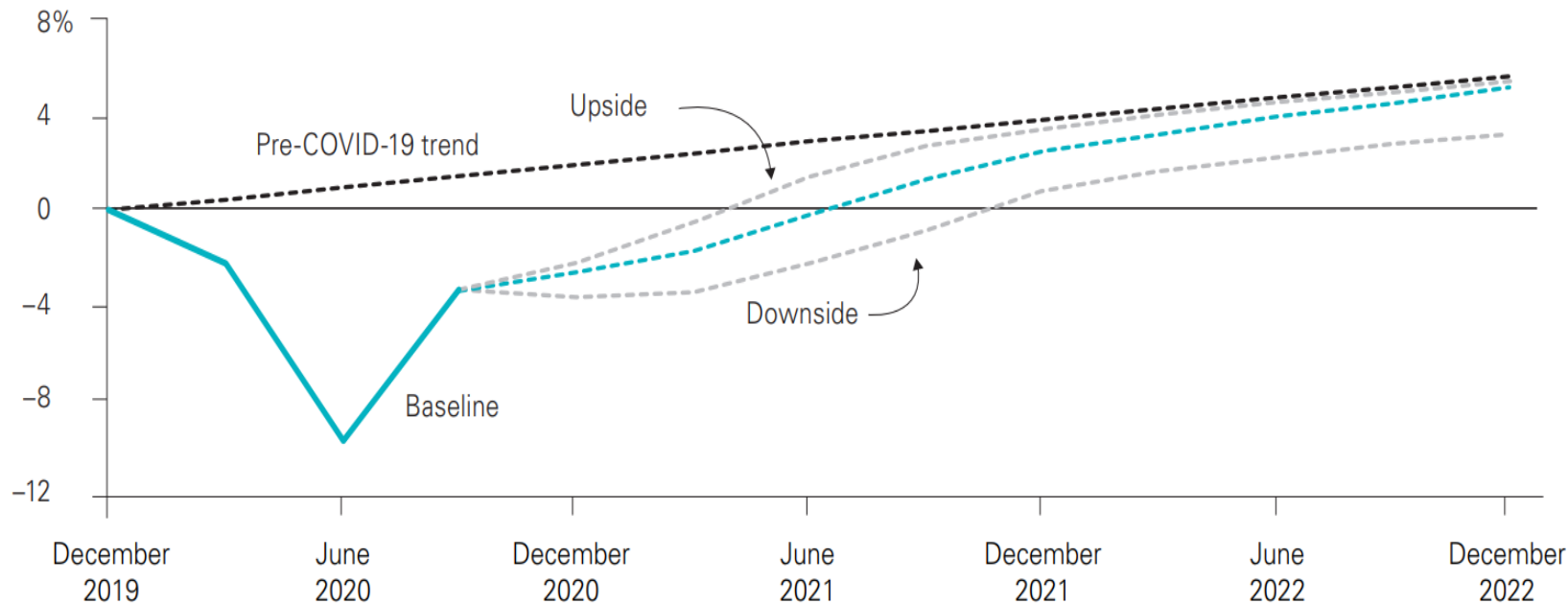
Upside surprise = investments markets would rally much higher



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# Health outcomes drive economic recovery



The blue and grey dotted lines represent our 3 forecasts: base case, upside and downside.

The downside scenario is characterised by a failure to significantly reduce virus transmission in the short term, which would cause a slower recovery.

The upside scenario is characterised by a speedy large-scale distribution of an effective vaccine, which will see the economy return to normal more quickly than we currently expect.



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# What did we learn in 2020?

The first is unpredictability: we can always do a better job of harnessing our imagination to contemplate the unthinkable. Nobody anticipated a global pandemic in December 2019, and yet sadly that is what we've grappled with.

Secondly, shocks tend not to be as bad as initially feared precisely because public and private actors mitigate them.

Thirdly, stick to your plan. Changing course can be dangerous.

And finally, don't underestimate the power of human ingenuity and adaptability.



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