RAYMOND JAMES

End Of Summer, But Not The Year

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"Summer's lease hath all too short a date" – William Shakespeare

Hopefully you enjoyed a good summer break. August was another positive month for many financial markets, with one pan-European (including the U.K.) index achieving a seventh consecutive advance. Whilst 2021 started with material concerns about COVID-19 challenges, limited vaccination numbers and widespread lockdowns, progress has been made on all fronts. No doubt the late August news that seven further countries have been added to the U.K.'s green travel rules, will further boost hopes that a return to previous norms are closer.

The American stock market has continued to make progress after a quiet start to the year, with one major index having set fifty-three new highs so far this year. Whilst it may be unlikely that it will hit the record of seventy-seven new all-time highs set in 1995, progress has been very good. However, discussions about the future profile of Federal Reserve stimulus and interest rate policy will continue over the rest of the year. As also shown in recent U.K. and euro area data, inflationary forces are continuing to rise, although inevitably much debate will continue to be had as to whether such increases are short term or portents of longer-term inflation. The big challenge for governments and central banks around the world may however remain the high debt levels built up over the last couple of decades.

Whilst – for COVID-19 control reasons – the recent Olympics in Japan had very few spectators present, they once again provided some breathtaking sporting achievements. Elsewhere in Asia, financial markets in China and Hong Kong made their first gains during August for a number of months, even if a range of new announcements by the Chinese government is impacting specific individual businesses and overall sectors. Future growth potential across the rest of this decade in the world's emerging markets is still apparent, even if year-to-date performance numbers have been disappointing. The full utilisation of a domestic workforce has shown material benefits to many emerging markets over the last couple of decades, a point that should not be lost to any government around the world.

There is a lot to consider over the last four months of this year, with important elections in both Germany and Canada later in September, the 26th UN Climate Change Conference in Glasgow from late October and multiple central bank meetings updating thoughts on both policy stimulus and possibly future interest rate profiles. Fortunately, COVID-19 vaccine progress will continue globally and - judging by the excellent quarter two corporate earnings published from mid-July - corporate progress and general job creation continues positively. There are reasons why confidence and optimism can continue to build in global investment markets.

The key for investors for the rest of this year is likely to remain being thoughtful and active. A world of potentially evolving central bank policies, the material level of government debt and continuing COVID-19 developments will continue to

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provide challenges. Similarly, advances in share prices, both year-to-date and over the last twelve years, have been very material in many sectors and countries, but fortunately, the world is still changing, evolving and (in many cases) improving. As Sir Francis Bacon famously wrote, “a wise person will make more opportunities than they find’.

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