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## THE FOUR MAIN TRENDS FOR 2021, THE YEAR IN WHICH GLOBAL ECONOMY WILL SURPASS COVID-19

- *Mirabaud expects a solid cyclical economic recovery, with further positive momentum from the United States, Europe taking off after its current blockade, and growth in Asia remaining strong*
- *In terms of thematic allocation, Mirabaud is particularly optimistic about the theme of Climate Change*
- *Investment under ESG criteria gains strength and will remain an imperative in the years to come*

Geneva/London 12 January 2020. Mirabaud Asset Management's analysis points to a solid outlook for the global economy in 2021. Our cautiously optimistic forecasts suggest that, although growth will be uneven, global economic activity will expand by 5%, aided by fading social distancing measures, easy monetary policy as well as ongoing – though more gradual – fiscal stimulus. Output gaps will remain negative in 2021 in many countries, while elevated unemployment – as well as sovereign and private debt – levels remain key challenges.

According to Gero Jung, Mirabaud's Chief Economist, "in addition to these positive forecasts, it is important to highlight the important role of major central banks during the crisis, which, via their aggressive intervention policies, have now combined balance sheets more than 20% of world GDP, approaching 30 trillion dollars". Andrew Lake, Head of Fixed Income at Mirabaud Asset Management, said that the central banks would continue to keep rates low, but that governments would begin to withdraw economic stimuli during 2021.

1) The optimistic view of Mirabaud's experts is based essentially on three key factors:

- The arrival of the Covid-19 vaccine, which will benefit on a global scale and, in particular, the economies most affected by the Covid, including those of Southeast Asia, Latin America, Europe, the Middle East and Africa. Our baseline projection assumes that social distancing will fade over time in 2021, inviting economic activity to come back to more normal levels.
- In major economies, pent-up demand is likely to lead to solid output increases. One key feature of the current global contraction is that in many countries, business investment has been resilient, especially when compared to previous recessions. This is a key ingredient for future expansion. In addition, high savings accumulated during the crises stand ready to be deployed, a positive for future consumption and domestic demand.
- On the political front, while the end of Brexit negotiations avoids short-term disruptions, the change of presidency in the United States is likely to improve substantially international trade relations, particularly in Europe and Asia. Mirabaud's experts expect further fiscal spending, less pressure for tax increases and less risk of trade frictions.

## Mirabaud Asset Management macro analysis

At the global level, Mirabaud expects a cyclical recovery, with further economic momentum from the United States, Europe's recovery from its current impasse, and growth in Asia to remain strong.

For Gero Jung "Very accommodative monetary policies - we expect central banks to remain on the prudent side with a bias towards further easing - will continue to be dominant in major developed markets, while many emerging market central banks similarly proceed with quantitative monetary easing. While the short-term effect of the pandemic is disinflationary, price pressures have the potential to rise, as input costs increase for many firms, including manufacturing ones. But, for now, on a sequential basis, inflation remains below pre-crisis levels in many industrialised countries, while many emerging markets have seen a sharp decline".

### The four main trends for 2021

From an investment point of view, Jung highlights four main trends for 2021:

- In **global equities**, Asian equities stand out. Mirabaud believes that this region is likely to continue to recover strongly, particularly in the first half of the year, and that trade frictions will ease under the new US administration. In addition, the pandemic slowdown in many Asian economies has been less than in other geographical areas. These countries, led by China, have weathered the crisis well, with the recovery quickly broadening to the domestic economy. Technology companies in particular will benefit due to the high demand for their products and services.
- In **Europe**, Mirabaud expects a cyclical recovery - with strong demand for European products from Asia - with a clear positive bias towards small and medium-sized enterprises, both in the euro area and in Switzerland. Mirabaud's experts believe that these companies will benefit most from the upturn in the economic cycle, including the strong demand for goods such as manufacturing from Asia, as well as from the forthcoming European Union stimulus package. In this respect, Mirabaud highlights the good prospects for smaller and medium sized businesses, many of which - despite the pandemic - have improved efficiency, reduced costs, accelerated restructuring processes and improved their balance sheets.
- Regarding **bond markets**, Mirabaud is cautious about the long term. A risk is that further fiscal spending will boost inflation expectations in 2021, which could also push central banks to be less accommodating. Credit will continue to offer an excess return over sovereign bonds, with positive carry and credit spreads still low. They also allocate part of the portfolio to emerging market debt and high-yield bonds.
- As to currencies, Mirabaud Asset Management believes that the US dollar is likely to remain weak. The Swiss franc will remain strong, especially with respect to the greenback.

Looking at individual countries, in Switzerland – a very open and internationally exposed economy – output is likely to recover solidly, with total activity rebounding by more than 3% in 2021. In France, economic growth is likely to surpass its Eurozone peers, aided by the relative resilience in business investment during the recession, an important pillar for future growth. The Spanish economy is likely to recover robustly, in particular from the fading of social distancing measures and more activity in tourism. This sector – representing around 15% of total economic activity – is likely to profit from the rebound. In addition, latest indicators suggest that activity in manufacturing follow the global rebound trend, while the services sector appears more shielded from current lockdown measures. The Italian economy is likely to recover solidly, with total output growing by more than 5% this year, after a strong contraction earlier, in line with the overall Eurozone trend.

In the UK, the outlook remains unusually uncertain, depending on how businesses and households adapt to the new trading arrangements with the EU, though the economy is likely to recover, as the direct impact of Covid-19 is likely to wane during the year.

### **Sector and thematic allocation**

For Mirabaud's experts, the expected approval and distribution of the vaccine on a large scale will allow the reopening of the world's economies, in particular for the sectors heavily affected by the Covid crisis, such as hotels, restaurants, leisure and transport. They also expect strong economic and earnings growth for the coming year and support for the stock markets.

Emerging markets could recover globally in this growth environment and with the further depreciation of the US dollar. On the other hand, cyclical stocks should outperform defensive stocks.

In terms of sector allocation, Mirabaud recommends a bias towards the industrial and infrastructure sectors, which it believes will benefit from fiscal stimulus. Global technology and many large technology companies are clear winners from the Covid-19 crisis, especially those focusing on digitalisation and cloud computing technology.

Mirabaud Asset Management is also positive about small and medium-sized companies in Europe and the United States. Their greater sensitivity to the cycle will enable them to outperform large-cap companies.

Mirabaud is particularly optimistic about various thematic strategies, including the Climate Change theme. On the latter, the strong commitments of governments and the spending programmes on energy transition related to the European green agreement and US President Biden's climate policy represent a major opportunity for companies in the solar, wind and utilities sectors. The sub-theme of renewable energies deserves special mention for the experts, as after many years of depending on subsidies; companies in the sector have managed to become self-financing, which benefits them, as well as the imbalance between supply and demand for this type of energy.

E-Commerce will also continue to gain a strong market share compared to traditional retailing. Finally, disruptive technology and the ageing population are other topics that show great growth potential for the experts at Mirabaud Asset Management.

### **A clear commitment to active management on ESG criteria**

Mirabaud Asset Management is making a special appeal for investment on ESG criteria as an imperative. Lionel Aeschlimann, Managing Partner and CEO of Mirabaud Asset Management, emphasises that "Mirabaud has always taken both performance and general interest into account. As shareholders, we have the opportunity to influence the decisions of the companies in which we invest so that they also respect the principles of responsibility and sustainability. Mirabaud's commitment to sustainable investment is absolute".

The Mirabaud Group's Sustainable and Responsible Investment strategy, which considers environmental, social and corporate governance issues, has received the highest rating (A+) in each of the six modules that make up the United Nations Principles for Responsible Investment (UN-PRI). This rating and the appointment of Mirabaud as one of the top 50 leaders in the field of environmental sustainability are testimony to Mirabaud's conviction that any financial performance must be consistent with a long-term commitment to its clients and be beneficial to the environment and society at large.

For 2021 and beyond, Mirabaud continues to be committed to the active, thematic, conviction-based investment based on ESG criteria that has always characterised the entity.

## Mirabaud Asset Management

With offices in Geneva, Zurich, Paris, London, Madrid and Milan the Mirabaud Group's Asset Management division focuses on investment management and advisory services.

Its investment capabilities include:

- domestic, regional and global equities;
- flexible, convertible, high-yield & short duration fixed income;
- alternatives;
- multi-asset;
- private equity

Across all investments Mirabaud Asset management applies a common philosophy of an active, high conviction approach to generating long-term risk adjusted returns. A focus on managing risk and a commitment towards environmental, social and corporate governance principles are important constituents of Mirabaud's heritage.

For more information, please visit our website: [www.mirabaud-am.com](http://www.mirabaud-am.com)

## The Mirabaud Group

Mirabaud was founded in Geneva in 1819. Over time, it has developed into an international Group providing clients with customised financial and advisory services in three core areas: Wealth Management (portfolio management, investment advisory services and services for independent financial advisors), Asset Management (institutional management, fund management and distribution) and Securities (traditional brokerage, research, and capital markets).

Mirabaud has a focus on responsibility and sustainability. This is reflected in its interaction with its clients, employees and wider society. A signatory of the UN's Principles of Responsible Investment (PRI) since 2010, Mirabaud holds the highest rating in this field thanks to its committed overall strategy and governance.

With some 700 employees, the Group has offices in Switzerland (Geneva, Basel and Zurich), Europe (London, Luxembourg, Paris, Madrid, Barcelona, Valencia, Sevilla and Milan) and the rest of the world (Montreal, Dubai, Abu Dhabi, Montevideo and São Paulo).

For more information, please visit our website: [www.mirabaud.com](http://www.mirabaud.com)

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