

# CLIENT UPDATE

KING FINANCIAL PLANNING  
DECEMBER 2021

Dear all,

So, 2021 gets close to the end and it's fair to say it's been another interesting year.

I looked back on our client update of December 2020 to see what we had suggested might happen. At the time of writing last year's update, the AstraZeneca vaccine was days away from approval, there were big issues following Brexit and China was coming out of recession a lot quicker than everybody else. I also suggested that interest rates wouldn't be moving very fast.

As I look back on 2021 the vaccine program has been a game changer for the outlook moving forward. We are going to Boris's 'Plan B' which involves working from home where you can, wearing masks more often and showing your vaccine passport when going to nightclubs (that one won't bother me too much). This all seems a relatively light touch compared to where we were 12 months ago and this is largely due to the fantastic vaccine program we have been through. Of course, the new 'Omicron' variant could of course change things again. Everything I have seen suggests it will spread more quickly but is milder compared to the Delta variant, of course nobody knows yet so let's wait and see.

Over the year optimism grew there was light at the end of the tunnel which fed through to see most stock markets produce positive returns. In the UK the FTSE 100 is up 11% year-to-date with the S&P 500 up a staggering 27%, fuelled partially once again by the tech stocks but with more traditional holdings such as the banks and energy companies making a comeback from their low of 2020.



Our optimism for Chinese markets fizzled out in the second half of this year and the MSCI China ETF which tracks the major Chinese stocks international investors can place money into, was down 19.87% this year (data to November 30, 2021).

So, what this means is that if you have taken a higher risk and subsequently invested more of your money in the stock market you had a great year. Those with a balanced or lower risk view have still seen a good return but with bonds yields so low, 'the safer investments' haven't returned much more than cash deposits and, in some cases, produced negative returns.

If bonds are not making any money, why hold them is a question I am sometimes asked. The answer like most things in life are about risk and reward. When markets were falling 35% in March 2020 the place you didn't want to be was Equities and you did want to be in Bonds as they protected your Capital. When markets rise you want to be in Equities and out of Bonds. The difficult bit that even the likes of Warren Buffet don't know, is what is going to happen next? If I had the answer to this, I wouldn't be writing this update!

So, when investing money for clients, we must look at what we are trying to achieve and what short term risk we are happy to take to achieve that. If you want as high return as possible, we would be all into the Stock market with some small company investments and even some Private Equity. However, most clients are looking for a reasonable return above inflation, knowing that if the markets do collapse, they will have some protection and that at present is the role of government bonds, not very exciting but they do fulfil a role.

As I said previously nobody is sure of what will happen moving forward, inflation is still very high and my guess is it will stay fairly high for a few more months before starting to fall. Interest rates have just gone up and will go up further in my mind in 2022 but not by a huge amount. Equity markets will once again be positive in 2022, but the biggest threat to this is of course Covid. We also can see a lot of unrest in China with some big property companies that are in trouble and a tightening of the rules for many Chinese companies, which could affect worldwide markets.

From a King Financial Planning perspective, the order to work at home has meant we aren't using the Price Bailey offices again but hope this will just be for a short time. As ever if you need me or any of the team just let us know.

From everyone at King Financial Planning, we wish everyone a great Christmas and hopefully a much better 2022, see you next year.

*James*