

Market Review March 2021

March continued to be a volatile month for financial markets amid signs of improving economic activity even as covid related infections rise worldwide. US job report for March was a strong one as US Manufacturing growth recorded its highest level since at least 1983. The economic recovery is being underpinned by success on the vaccination front as millions of Americans are receiving covid-19 vaccination dosages and the US Government continued its stimulus support for the economy.

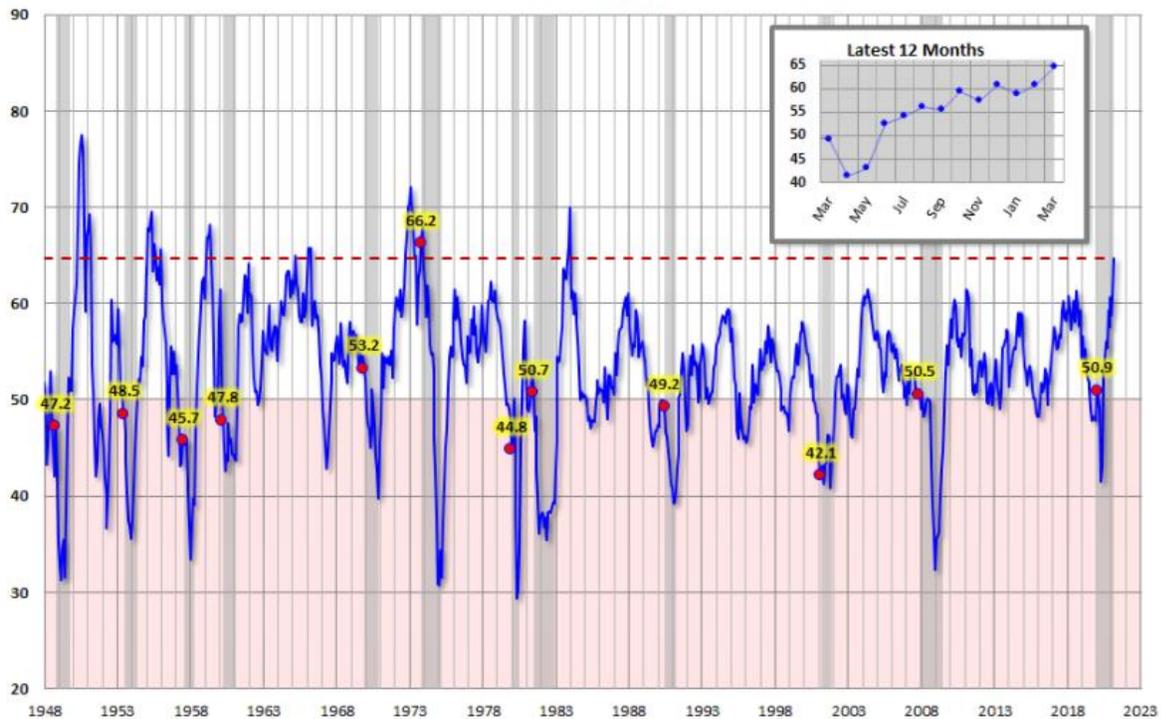
A Solid March 2021 Employment Report is Expected As Hiring Surges and U.S. Begins its Economic Recovery

Non-farm payrolls rose by 916,000 in March, while the unemployment rate declined to 6%. The March Employment Report is widely expected to underscore that Americans are beginning to return to work. Economists polled by Dow Jones expect to see 675,000 new jobs added during March as broader economic reopening continues aided by increasing vaccination levels in the U.S. Consequently, the unemployment rate fell to 6% during March as compared with 6.2% in February. January and February employment gains were revised higher, adding 156,000 more jobs. Economists are more optimistic about the revival of the U.S. economy in second quarter as more people receive stimulus cheques and vaccine shots. As of April 1st, more than 16% of the U.S. population has been fully vaccinated which bodes well for the budding economic recovery and is already resulting in more people travelling, participating in leisure activities including eating at restaurants as more and more states have continued to ease covid-19 related restrictions.

Strong U.S. Manufacturing Growth in March 2021

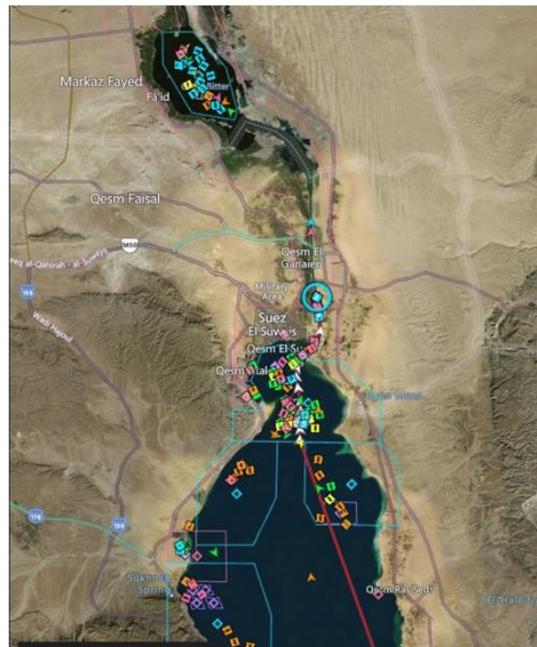
The Index of National Factory Activity in the U.S. soared to its highest level in more than 37 years during March driven by solid growth in new orders. The Institute for Supply Management's factory activity index was recorded at 64.7, recording its highest level since December 1983 as the year-long covid-19 pandemic has boosted demand for goods. The index was recorded at 60.8 in February. Economists polled by Reuters had forecasted the index rising to 61.3 in March. A reading above 50 indicates expansion in manufacturing, which accounts for 11.9% of the U.S. economy. Economists are taking it as a clear sign that the long promised economic boom from the lows of covid-19 is finally underway in the U.S.

Dashed line shows the current level, Dots highlight the month before a recession



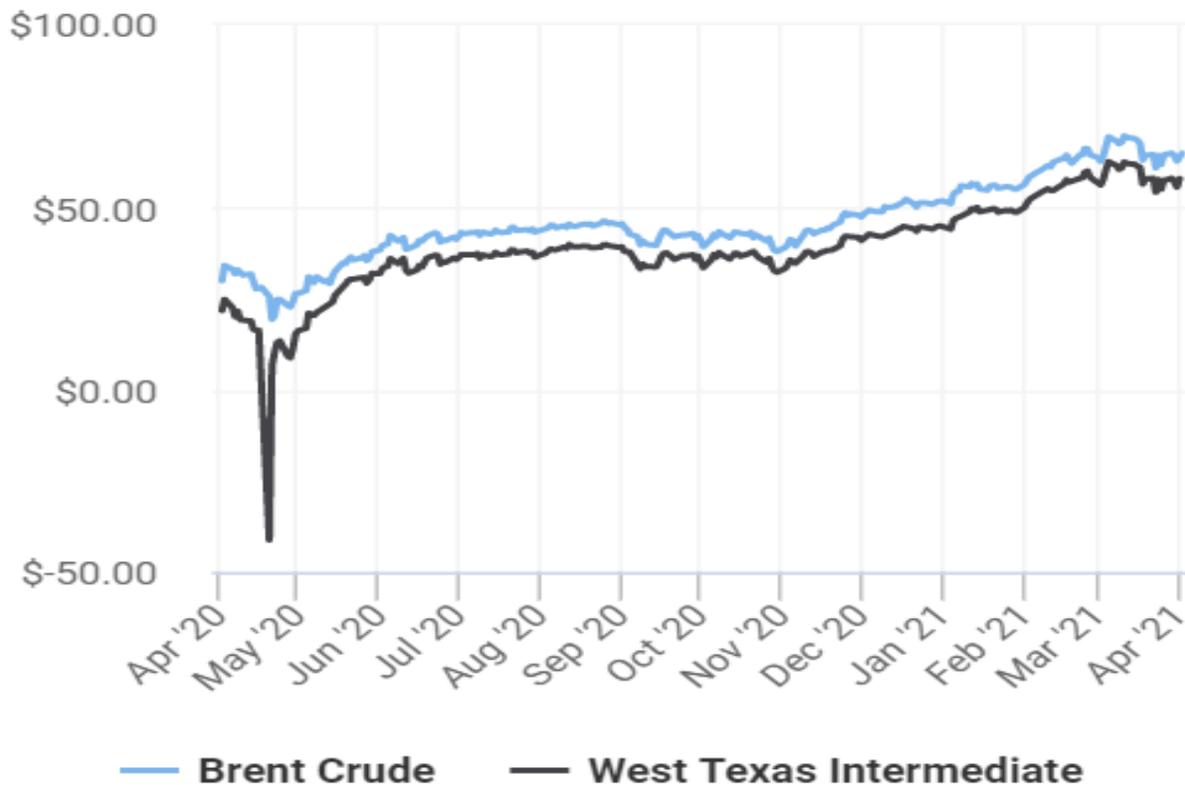
Global Supply Lines Choked as “Evergreen” Vessel Remained stuck in Suez Canal for 6 days!

The Suez Canal was blocked for six days after the 400-meter long vessel “Evergreen” ended up getting stuck in the Suez canal across the waterway preventing other vessels from passing through. The incident sparked a crisis in international shipping, holding up to US\$9 Billion in global trade per day and left approximately 422 vessels stranded with nowhere to pass. The adjacent image reflects this traffic jam of a different kind witnessed by the world over the past month. The ship was finally freed on March 29th and the Egyptian authorities are now expecting to seek over US\$1 Billion in damages for helping to clear the Evergreen vessel from the Suez Canal, as a dilemma emerges over who might foot the bill.



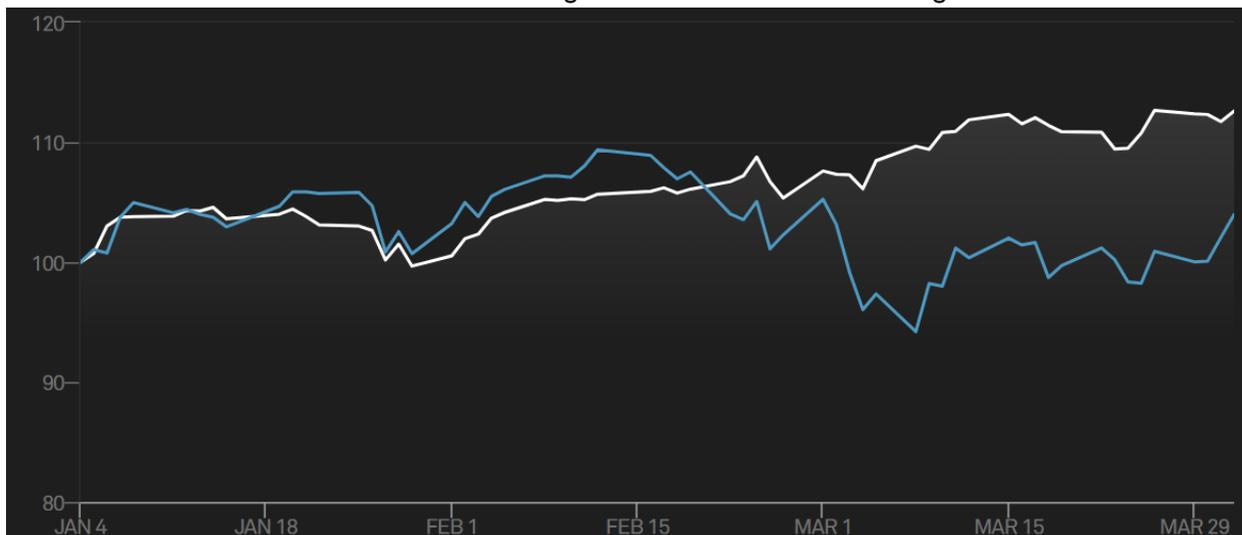
OPEC + Decides to Gradually Reduce Output Cuts to Meet Surging Demand for Oil as Global Economies Begin a Guarded Recovery from the Pandemic!

OPEC + alliance has decided to gradually curb production cuts beginning from May 2021. The OPEC+ alliance has currently planned production cuts of just over 7 Million barrels per day in their continuing efforts to support crude oil prices and to reduce oversupply. Saudi Arabia, the dominant force in OPEC had voluntarily added an additional 1 Million barrels per day to those cuts. OPEC + members now expect to add 350,000 barrels per day to production during May, with another 350,000 barrels per day coming online in June with an additional 450,000 barrels per day to be added in July. Although calls have been growing for OPEC+ to increase their output as economies emerge from the lows of the pandemic however OPEC's "Kingpin" Saudi Arabia has remained cautious about prospects of global economic recovery amid a surge in covid cases caused by mutating covid variants and analyst expect this approach to continue with only moderate gradual improvements in the supply from OPEC+. As a result of the OPEC strategy and the improving demand for crude oil products in light of increasing vaccinations worldwide, the price of oil (WTI and Brent) has recovered gradually from the lows witnessed during April 2020 as shown in the graph below.



Stock Markets Continue to Witness March Madness!

March continued the momentum seen in stock market volatility during the first two months of 2021. Market performance in this month was characterized by anything but a “smooth ride” as concerns about the potential for higher inflation resulting in higher bond yields continued to plague investor minders. Aided by the US\$ 1.9 Trillion Biden era stimulus package announced by the U.S. Govt., the stock markets have continued to show resilient upside potential with both the Dow Jones Industrial Average and the S&P 500 posting a fourth straight quarter of gains, with the two indexes rising 7.8% and 5.8% in the first quarter of 2021, respectively. The stock markets are expected to perform well during April as well, noting that the ramp-up in vaccination and the federal stimulus checks should give American consumers more confidence to spend which can have a positive knock on effect on the economy going forward. Analysts at JP Morgan and Barclays expect the global rotation from growth stocks into value stocks to continue as countries reopen after the covid pandemic and consumers start spending again. Value stocks, such as banks and energy firms have continued to outperform the fast-growing stocks (such as big tech) in 2021 so far. Even though stock markets in the last decade were dominated by the fast-growing technology companies, a strong economic recovery post pandemic can lead to a major shift and bring traditional value businesses into the limelight. The graph below shows the performance of the S&P 500 Value Index which has outweighed the Growth Index during YTD March 2021.



Index Name	Index Level	YTD Return
● S&P 500 Value May 30, 1992	1,406.69	11.01%
● S&P 500 Pure Growth Dec 16, 2005	16,858.89	2.66%