



## **SHORT FINANCIAL MARKETS REVIEW FOR 2021 & AND AN EVEN SHORTER OUTLOOK 2022?**

Despite double-digit returns from most equity markets, 2021 still presented plenty of challenges for investors. A tug-of-war raged between COVID variants and vaccines, many economies experienced their highest levels of inflation for thirty years and, in China, the authorities launched a brutal clampdown on the country's most successful companies whilst at the same time the world's most indebted property developer teetered on the brink of collapse.

Main equity markets recorded large gains, headed once again by the US.

An eclectic mix of a vaccine-maker (Moderna), a technology behemoth (NVIDIA) and a clutch of oil companies have all seen their stock prices more than double in 2021, whilst Tesla joined the elite club of companies valued at more than US\$1trn. At the other end of the performance table and for the reasons above, Chinese equities were heavily down in 2021.

How did one make money (or lose it) ? Easily explained looking in the rear-view mirror...

Exploiting market volatility was (is) a great way to make money, or lose it. Just ask me. And for a year which in so many ways was just as miserable as the previous one, 2021 was also crazy where your money was concerned. Very few people, for instance, would have thought to buy oil drillers and sell clean energy stocks. Gas markets took investors on an impossibly wild ride, thanks in part to Russia's Vladimir Putin. And in the murky world of crypto, forget Bitcoin and Ether. Binance's BNB gained a whopping 1,300%.

Very few people thought just to buy Nasdaq's big ones with performances exceeding 50%. If they didn't they might have lost just the same figure....(see one of our charts of the day).

For some hedge fund managers, investments in private (equity) enterprises saved the year, and they're hoping for more of the same in 2022. For others, the year of 2021 is one to forget.

And fixed income managers are still licking their wounds. Investors in bonds have lost money in 2021, albeit not as much as many would have expected given the degree to which interest and capital repayments have been eroded in real terms by soaring inflation rates.

Now what ? 2022 might just as well be complex as 2021.

The last few years have shown us again that we have no idea what is going to happen in the short term and it's pointless, even dangerous pretending we do. Over the long term, markets have always gone up and investing in a diverse portfolio of all the biggest companies in the world while ignoring short term news and predictions continues to be the best way to grow wealth over the long term.

As we accept that we don't know what will happen in the short term, we believe it is important to have clear ideas in place where to put our savings so that it doesn't affect us too much whatever happens in financial markets.

Happy investing!



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