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An environment conducive to active savings management

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After a wave of panic struck the financial markets in the first part of 2020 in the wake of the pandemic, the end of last year saw an upturn in confidence on the stock market. **2021 could prove to be much more eventful** than is generally expected, despite the current optimism generated by Covid-19 vaccines and the steps taken to revive a global economy that last year came to a standstill.

The global economy is expected to rebound significantly this year after falling by 4.4% in 2020. Nevertheless, this rebound will not be uniform across the board. The start of the year is expected to be mixed in Europe as health restrictions could continue before the economic recovery accelerates in the second and third quarters. On the other hand, growth is expected to be much more linear in China, close to 8%, and particularly strong in the United States.

Investors have largely anticipated the improvement in the economic situation over the last few months, therefore, they may now want to wait for these expectations to materialise as financial markets have recovered since the end of last year.

In the fourth quarter of 2020, the value of Europe's 600 largest listed[1] companies rose by 10.5% after falling by 13% in the first nine months of the year. Since the 1st January, the shares of Europe's 600 largest companies have gained a further 3%[2] in anticipation of an economic recovery.

"2021 will be marked by the post-Covid economic recovery and the continuation of significant measures to support economies. But the markets have already accounted for this scenario", explains **David Older**, Carmignac's Head of Equities. *"Stock market valuations remain high. We will still have to be flexible in 2021".*

We should therefore continue to be vigilant in what is still a complex environment. Vaccinations in 2021 could certainly help lifestyle and consumption patterns to gradually get back to normal. But this scenario could also lead to a rise in interest rates, which the authorities have artificially kept very low to support the economy. Not only would this increase in rates weigh on share prices if it proved too high, but it is also uncertain as to whether the world economy can now function normally without support measures.

In this environment, the ability to actively manage investments and risks will continue to play a key role in managing savings.

"Complexity also generates opportunities", says **Didier Saint-Georges**, a member of Carmignac's Strategic Investment Committee. *"2021 looks like it's going to be complex, which is not necessarily bad news in our opinion, provided that we have sufficient active management, as it was in 2020. Of course you have to anticipate, but you also have to be able to manage the unexpected".*

Active management consists of selecting and buying financial assets (shares, bonds, currencies, etc.) that will generate a better performance compared to others and buying at the best time. Conversely, passive management seeks to follow a stock market index.

[1] Stoxx Europe 600 index

[2] As of 11/02/2021

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