

Cytonn Annual Markets Review - 2021

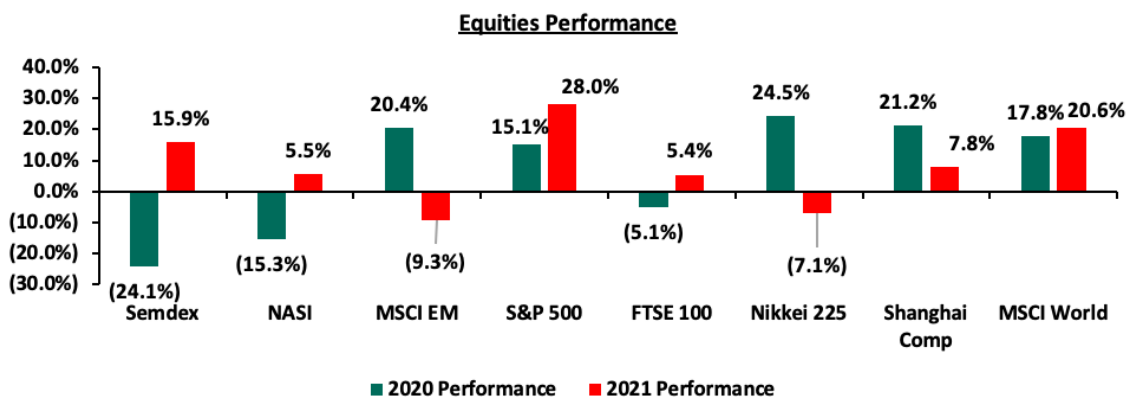
Global Market Review

Global Economic Growth

According to the October 2021 World Economic Outlook Report by the International Monetary Fund (IMF), the global economy is projected to expand by 5.9% in 2021, from a contraction of 4.4% in 2020. IMF projects that the new COVID-19 variants coupled with the slow vaccine distribution as the big risk to the global economic recovery. Advanced Economies are projected to expand by 5.2%, while Developing and Emerging Markets are projected to expand by 6.4% in 2021. The recovery of the Advanced Economies has been revised down to 5.2% from 5.6%, partly attributable to the supply-chain disruptions brought about by the pandemic while that of the Developing and Emerging Markets has been revised up from 6.3% to 6.4% due to increased commodity prices that have boosted some of the commodity-exporting economies. Close to 60.0% of the population in advanced economies has been vaccinated, compared to approximately 4.0% of the low-income economies' population. The global recovery shall largely be determined by how quickly and effectively governments vaccinate their populations.

Global Equities Markets Performance

Global equity markets registered mixed performance during the year, with MSCI Emerging Markets and Nikkei 225 being the only losers among the major world indices. The losses recorded by MSCI EM and Nikkei 225 can be attributed to increased sell off of tech stocks following new strict regulations introduced in China which aimed to intensify the government's influence over tech companies. The tech stocks had rallied during the third and fourth quarters of 2020, leading to the indices gaining at a period when most world indices were recording losses brought about by adverse effects of the pandemic. Growth in the global equities markets has been mainly driven by the economic recovery from the COVID-19 pandemic, accommodative monetary policies and increased rollout of vaccines which has improved the control of the pandemic. Below is a chart highlighting the performance of select stock indices;



Source: S&P Capital IQ

Global Commodities Market Performance

Global commodity prices registered positive performance in 2021, with energy prices showing the greatest increase of 79.0%, compared to the 31.7% decline experienced in 2020. The significant increase can be attributed to the recovery in global demand following the re-opening of major economies. Fertilizers, metals & minerals, non-energy commodities and agriculture, similarly registered gains of 71.1%, 47.1%, 31.7% and 23.0%, respectively, while precious metals registered a slower growth of 5.2% which was significantly lower than the 26.6% gain recorded in 2020. The slow gains by precious metals can be attributed to improved economic conditions from the pandemic, which have reduced investor demand for them as a primary store of value. Below is a summary performance of various commodities;

