>futureMoney

9th June 2021

Market Update

An Eye on Inflation

Mainstream markets have been in a fairly steady state in recent weeks with the known factors of economic reopening, higher inflation, continued stimulus largely priced in. That explains the recent lack of volatility but it is not to say that conditions will necessarily remain calm, with the Delta (Indian) covid-19 variant a source of risk. Anxiousness is also present over inflation levels, with Thursday's US inflation number likely to be closely watched. While the Federal Reserve maintains that the recent surge in inflation will be transitory and therefore loose monetary policy remains appropriate, should tomorrow's figure surprise on the upside then there will be many within markets who suspect the Fed will be forced to taper stimulus and raise interest rates sooner rather than later.

Chinese Producer Prices

While a summer surge in inflation is widely expected, a cooling period is also expected in the autumn, as year-on-year base effects which look back to the depths of the economic crises fall out of the 12 month numbers. Nonetheless, there are also plenty of arguments as to why inflation will remain above average levels over the medium term. One datapoint that contributes to this argument is China's producer price index (PPI), which has just been released for May with a figure of 9%, the largest increase in the cost of goods leaving factories since 2008. This increase partially reflects the surge in the price of commodities that has occurred over recent months and in time this is expected to feed through into the more widely followed consumer price indices (CPI) measures of inflation in both China and Western markets, as companies feel the need to pass rising input costs onto customers.

Infrastructure Spending

Another factor that is likely to have a significant impact on global inflation levels is the extent to which Joe Biden is able to deliver on his promises of mass infrastructure development in the US. With aspirations to spend $2.3tn on infrastructure and a further $1.8tn on social spending, if he succeeds there is the potential for a large surge in US economic activity, which at a time of an already strong recovery is likely to push general price levels higher. Recently Biden has been trying to build bi-partisan support for his spending plans, yet success seems unlikely with Republicans worried over the scale of the spending. A number of routes remain open to the President in achieving his goals, but should he fail and infrastructure remains an underfunded sector in the US, not only will this have a limiting impact on the US economy, but it is also likely to be a negative factor for many equities. The strong market performance of the past seven months has been in part driven by expectations of big spending from the White House.

Beware Bubble Mentality

"If you're seeing bitcoin on the underground, it's time to buy". This was the tag line for an advertising campaign run by cryptocurrency exchange Luno on the London Tube in recent months. The advert was banned in late May, and quite rightly so. Lacking risk warnings and failing to declare that both the asset and the marketplace were unregulated were the reasons behind the ban, but another justifiable complaint of the advert would have been that if you're seeing bitcoin advertised on the underground it was more likely the time to sell. Back in 2018 the comedian John Oliver described bitcoin as “everything you don’t understand about money combined with everything you don’t understand about computers” and such a description still feels rather apt. And yet this did not stop a surge in popularity driving the price from around $10,000 per bitcoin a year ago to over $60,000 in April 2021. Such a jump in value and the wave of interest from retail investors lured in by the promise to ‘get rich, quick’ has all the hallmarks of a classic bubble. In such a scenario it can be easy to get carried away with stories of how the latest technology is going to change the world, but such emotion and hyperbole rarely make for a sensible investment strategy, especially when valuations have already reached sky-high levels. Since bitcoin’s peak, it has fallen back to $35,000 per coin and while this still represents a large gain from a year ago, for those late to the party, heavy losses will have been experienced. Volatility in cryptocurrencies remains high and perhaps another surge in bitcoin, or a rival coin, will occur again, but contrary to the advertising campaign, when the latest craze reaches mass euphoria, it rarely is time to buy.

The enclosed are comments and opinion only of the Future Money Fund Management Team intended for use by professional Financial Advisers. They do not constitute advice or verified factual information.

9th June 2021

Important Information

Please note that the contents are based on the author's opinion and are not intended as investment advice. This information is aimed at professional advisers and should not be relied upon by any other persons.

Any research is for information only, does not constitute financial advice or necessarily reflect the views of the author and is subject to change.

It remains the responsibility of the financial adviser to verify the accuracy of the information and assess whether the fund is suitable and appropriate for their customer.

Past performance is not a reliable indicator of future performance. The value of investments and the income derived from them can fall as well as rise and investors may get back less than they invested.

Important information about the funds can be found in the Supplementary Information Document and NURS-KII Document which are available on our website or on request.

For any information about the Future Money funds please contact the authorised corporate director, Margetts Fund Management Ltd, on 0121 236 2380, admin@margetts.com or at 1 Sovereign Court, Graham Street, Birmingham B1 3JR. A copy of their Terms of Business which relates to investments into the funds can also be obtained using these contact details.

Issued by Future Money Ltd

Future Money Limited is authorised and regulated by the Financial Conduct Authority

Future Money Ltd

Henry Wood House · 2 Riding House Street · London · W1W 7FA

0203 4570 387

www.futuremoney.co.uk