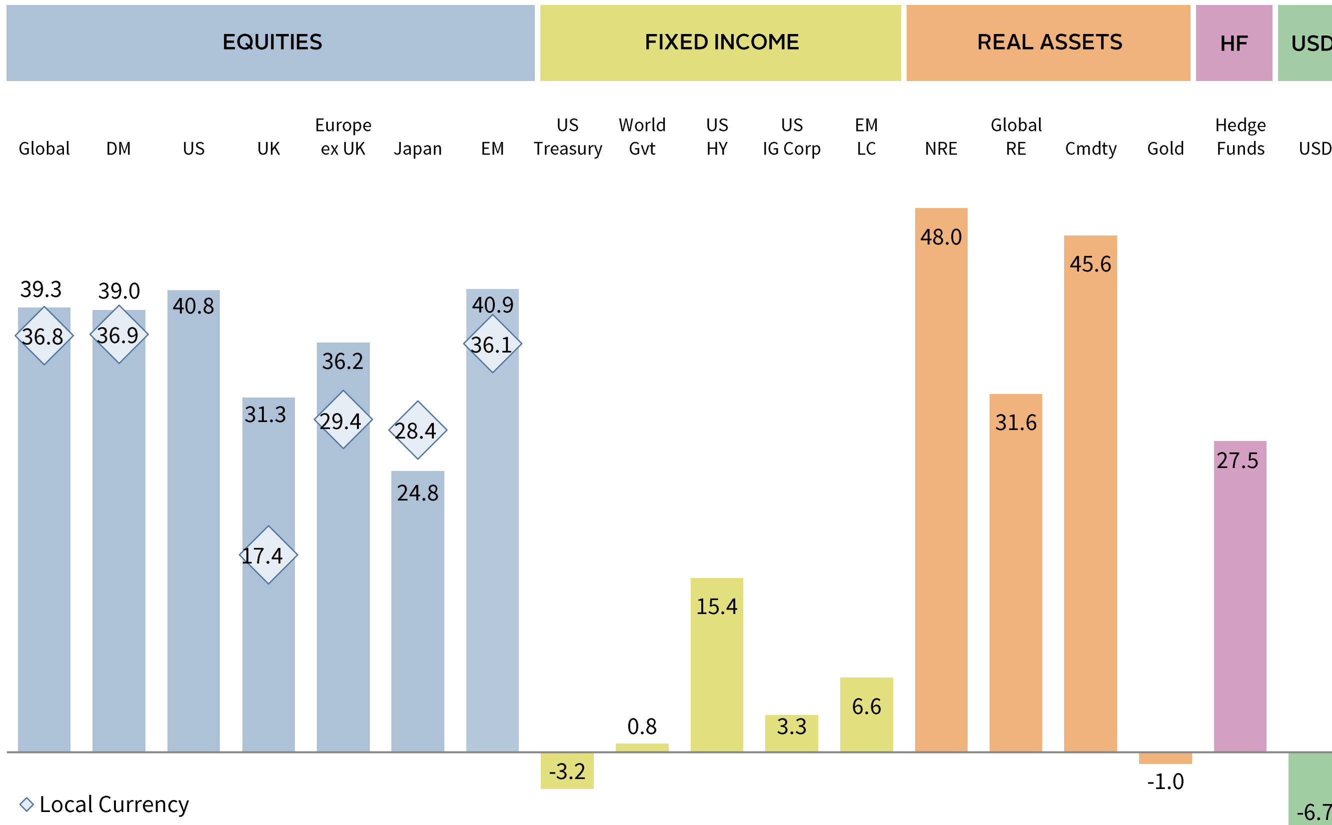
REVIEW OF MARKET PERFORMANCE

FISCAL YEAR 2021

C|A CAMBRIDGE ASSOCIATES

Risk assets' rebound continued strongly in FY 2021 during the post–COVID-19 recovery



Sources: Bloomberg Index Services Limited, Bloomberg L.P., EPRA, Federal Reserve, FTSE Fixed Income LLC, FTSE International Limited, Hedge Fund Research, Inc., Intercontinental Exchange, Inc., J.P. Morgan Securities, Inc., MSCI Inc., National Association of Real Estate Investment Trusts, Standard & Poor's, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: Asset classes represented by: MSCI AC World Index ("Global"), MSCI World Index ("DM"), S&P 500 Index ("US"), MSCI UK Index ("UK"), MSCI Europe ex UK Index ("Europe ex UK"), MSCI Japan Index ("Japan"), MSCI Emerging Markets Index ("EM"), Bloomberg Barclays US Treasury Index ("US Treasury"), FTSE World Government Bond Index ("World Gvt"), Bloomberg Barclays US High Yield Bond Index ("US HY"), Bloomberg Barclays US Corporate Investment Grade Bond Index ("US IG Corp"), J.P. Morgan GBI-EM Global Diversified Index ("EM LC"), market cap-weighted Datastream World Energy Index and Datastream World Basic Resources Index blend ("NRE"), FTSE® EPRA/NAREIT Global Real Estate Index ("Global RE"), Bloomberg Commodity TR Index ("Cmdty"), LBMA Gold Price ("Gold"), Hedge Fund Research Fund Weighted Composite Index ("Hedge Funds"), and Nominal Trade Weighted US Dollar Index: Broad ("USD"). Total return data for all MSCI indexes are net of dividend taxes. Hedge Fund Research data are preliminary for the preceding five months. Gold performance is based on spot price returns.

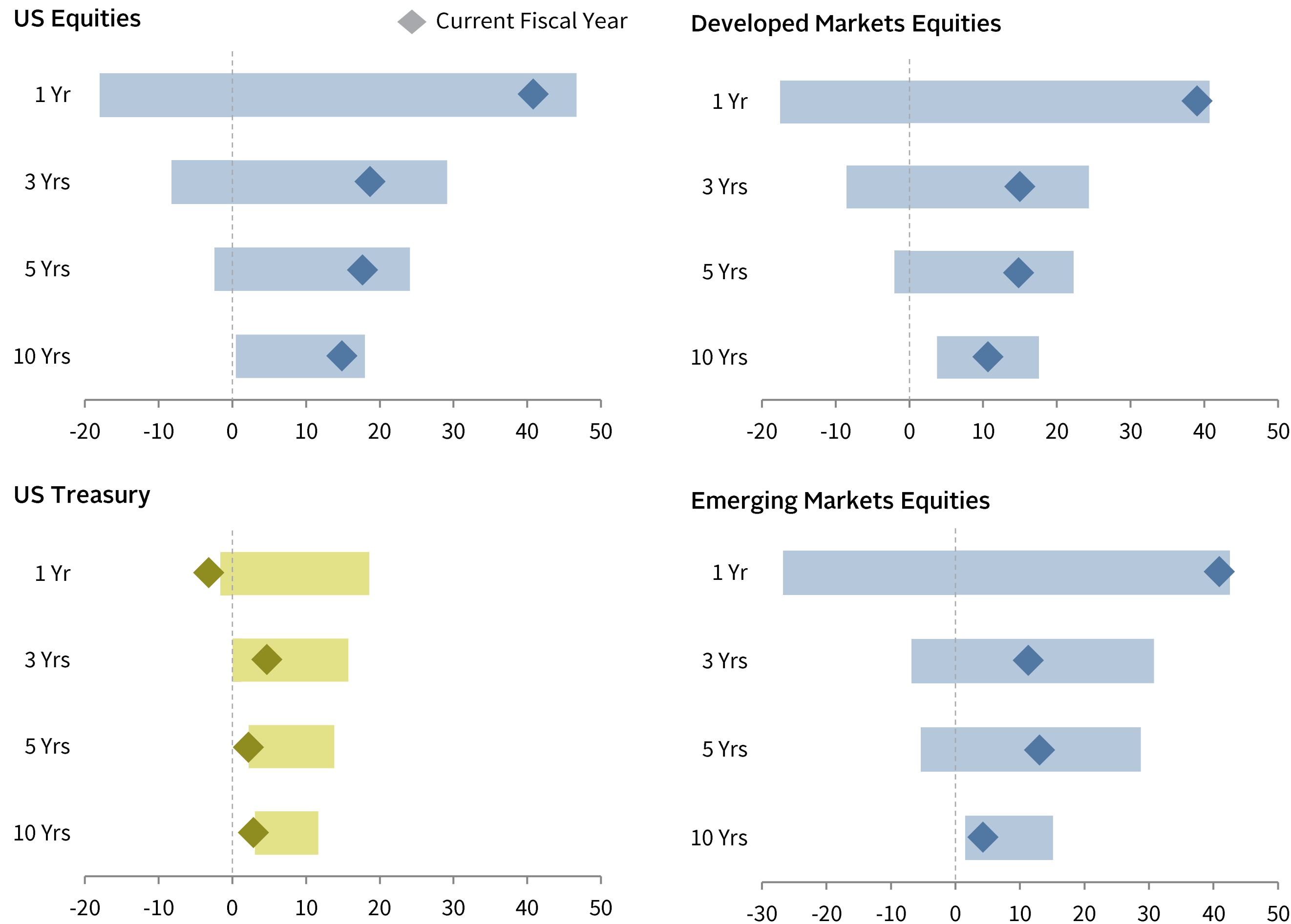
FY 2021 saw a continuation of the strong rebound in risk assets that had commenced in second quarter 2020. This was facilitated initially by positive news from COVID-19 vaccine trials, and then, ultimately, by their gradual rollout, which established a path back toward economic normality. Meanwhile, both fiscal and monetary policy remained at extremely accom-modative settings. Equities were buoyed by a recovery in earnings expectations, while real assets benefited from a return of underlying demand, even as supplies faced several restrictions. Safe-haven assets fared less well during this return of risk appetite, with US Treasuries, gold, and the US dollar all posting negative returns.

All of the primary equity markets delivered robust returns

A rising tide lifted all boats when it came to equity markets in FY 2021. After posting muted but resilient returns the year prior given the magnitude of the drawdown, all major equity markets provided very strong performance in the latest fiscal year. The US led the pack once more in developed markets (DM), though emerging markets (EM) maintained pace this year. The US benefited from greater levels of fiscal stimulus, expectations of higher economic growth, earlier economic reopening, and a higher weighting to tech stocks. Japan and the UK were the laggards in DM. Both regions trailed, in part due to lower IT weights. The UK was also held back by lingering Brexit fears, while growth in Japan was forecast to underperform its peers.

Sources: MSCI Inc., Standard & Poor's, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Notes: Asset classes represented by the following: MSCI All Country World Index ("Global"), MSCI World Index ("Developed Markets"), MSCI EAFE Index ("Dev Mkts ex US"), S&P 500 Index ("US"), MSCI UK Index ("UK"), MSCI Europe ex UK Index ("Europe ex UK"), MSCI Japan Index ("Japan"), and MSCI Emerging Markets Index ("Emerging Markets"). Total return data for all MSCI indexes are net of dividend taxes.

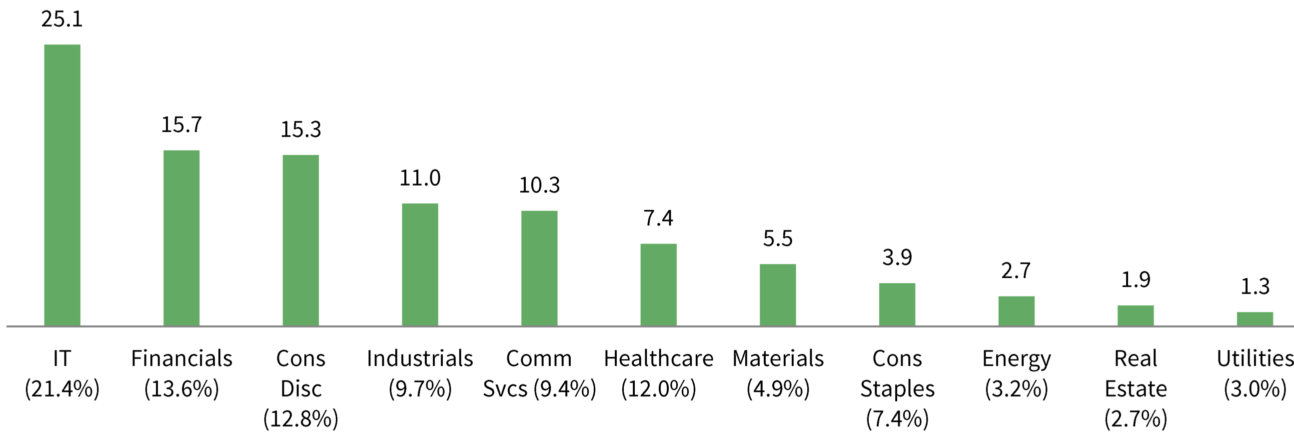
The performance of many assets during FY 2021 was toward historical extremes

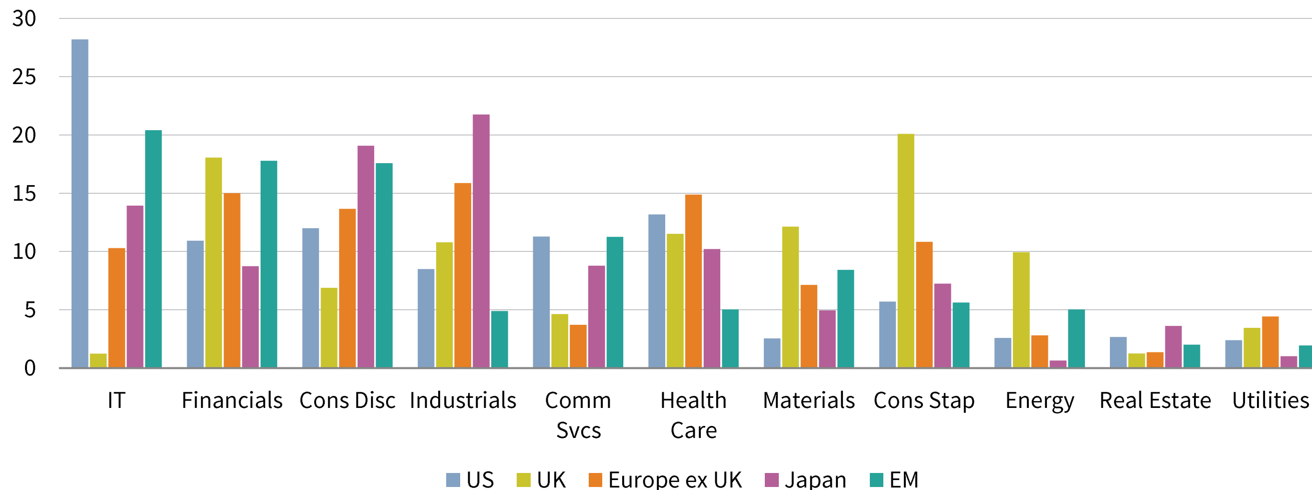


As the COVID-19 recovery continued in asset markets, the returns of many assets were approaching historical extremes. The 39% fiscal year return delivered by DM equities was the fourth highest of 51 such periods going back to 1971. Similarly, the 40.9% returned by EM equities was the third-highest fiscal year return going back to 1989. Longer horizon EM returns remain relatively subdued versus their history. However, US equities have posted returns well above median over all horizons. By contrast, rising yields meant that US Treasuries experienced their weakest fiscal year return going back to 1974. 3-, 5- and 10-year returns are all well below median, with the latest 10-year AACR the lowest on record.

Sources: Global Financial Data, Inc., MSCI Inc., Standard & Poor's, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Notes: Ranges reflect the 5th and 95th percentile of fiscal year returns. Asset classes are represented by the following indexes: S&P 500 Index ("US Equities"), MSCI World Index ("Developed Markets Equities"), Bloomberg Barclays US Treasury Index ("US Treasury"), and MSCI Emerging Markets Index ("Emerging Markets Equities"). Total returns for all MSCI indexes are net of dividend taxes. Total returns for the MSCI Emerging Markets Index are gross of dividend taxes prior to fiscal year 2002. The first full fiscal year periods are 1901 for S&P 500, 1971 for MSCI World, 1974 for US Treasury, and 1989 for MSCI Emerging Markets. Data prior to 1968 for US Equities are from Global Financial Data, Inc.

The IT sector maintained its leadership, while cyclical sectors began to perform more strongly





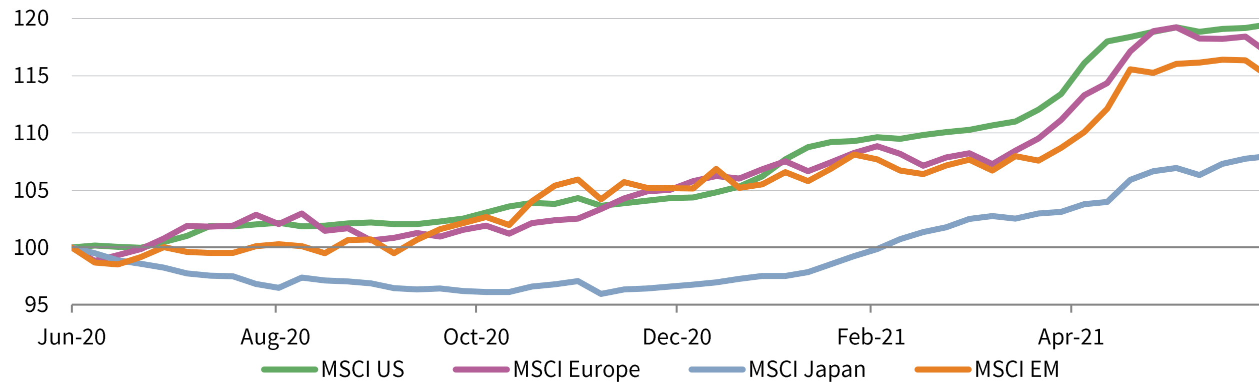
IT continued to be the standout sector in equity markets, boosted by seemingly secular changes to internet-based retail and remote working as a result of COVID-19. Its highly variable weight in regional indexes also contributed to the dispersion in returns across geographies. As the underlying economy gradually started to recover, and expectations of stronger growth spread, cyclical sectors started to perform more strongly. As such, financials, consumer discretionary, and industrials were the next best-performing sectors after IT. Finally, with risk sentiment improving, and safe bond yields moving higher, the most defensive sectors lagged. As a result, sectors such as utilities and consumer staples were among the weakest performers.

Sources: FactSet Research Systems and MSCI Inc. MSCI data provided "as is" without any express or implied warranties.
Note: Top chart shows each sector's contribution as a percentage of the full index return, with average sector weights during the year shown in parentheses.

Most of the FY 2021 performance was driven by rising earnings expectations

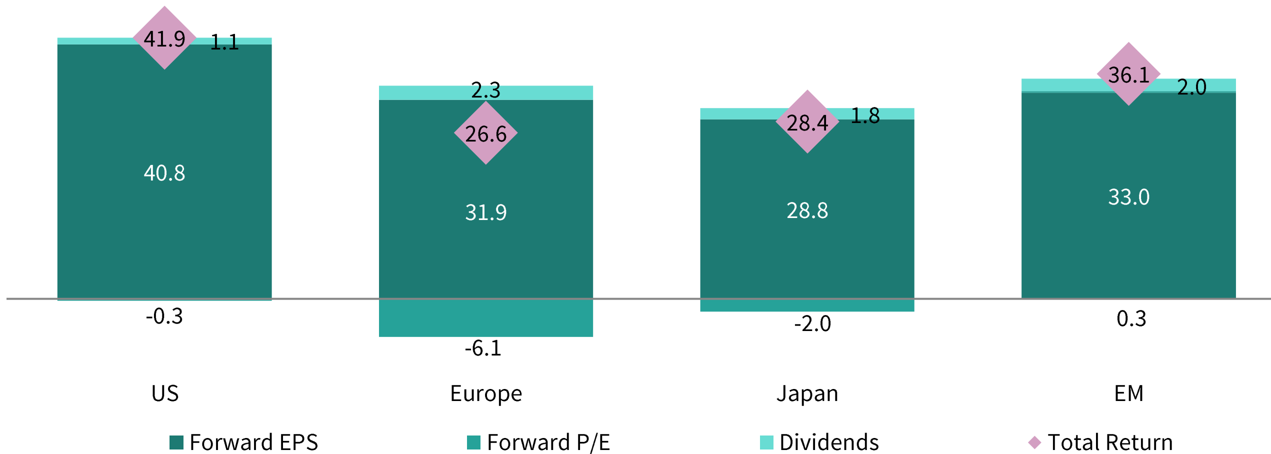
CHANGES IN CALENDAR YEAR 2021 EPS ESTIMATES

June 30, 2020 – June 30, 2021 • June 30, 2020 = 100



FY 2021 EQUITY TOTAL RETURNS BY SOURCE

As of June 30, 2021 • Percent (%) • Local Currency



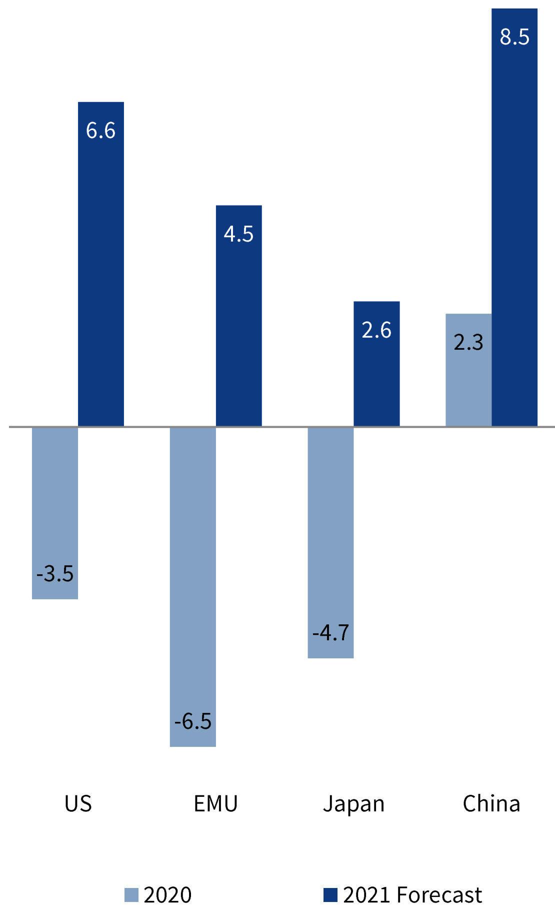
Sources: I/B/E/S, MSCI Inc., and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: Top chart uses weekly data. EPS growth numbers are based on I/B/E/S estimates. Data reflect EPS growth estimates for calendar year 2021, except for Japan, which reflect EPS growth estimates for fiscal year 2022 (March 2021–March 2022). Bottom chart shows EPS growth as the percent change in aggregate 12-month forward earnings, multiple expansion as the percent change in 12-month forward price-earnings ratio, and dividend income as the compound difference between the 12-month total return and the 12-month price return. All three components of return geometrically compound to total return.

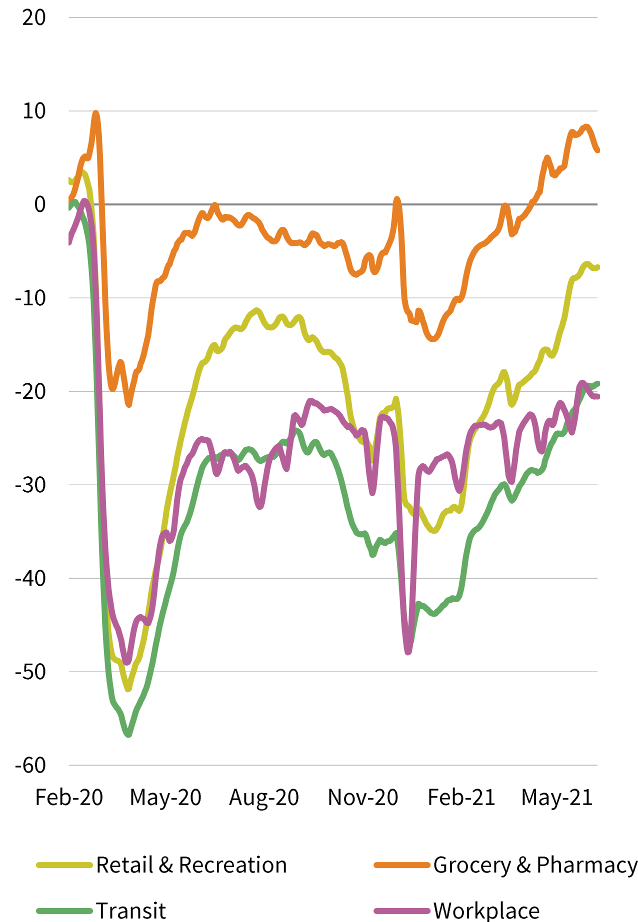
The recovery in the equity market from the low point in late March 2020, was driven by both increasing earnings expectations and by rising valuations, with the latter supported by low and falling interest rates. 12-month forward price-earnings ratios have declined since third quarter 2020 however, with their peak occurring shortly after the low in US Treasury yields. As a result, most of the rise in equities during FY 2021 was attributable to increasing earnings expectations. Such has been the rebound in earnings expectations that, as of the end of June, CY 2021 global consensus earnings estimates were just 4% below where they stood at the end of 2019.

Economic growth set to rebound in 2021 on the back of normalizing activity

ANNUAL GDP GROWTH
As of June 30, 2021 • Percent (%)



G7 MOBILITY RECOVERY
February 23, 2020 – June 30, 2021 • Percent Change From Baseline (%)



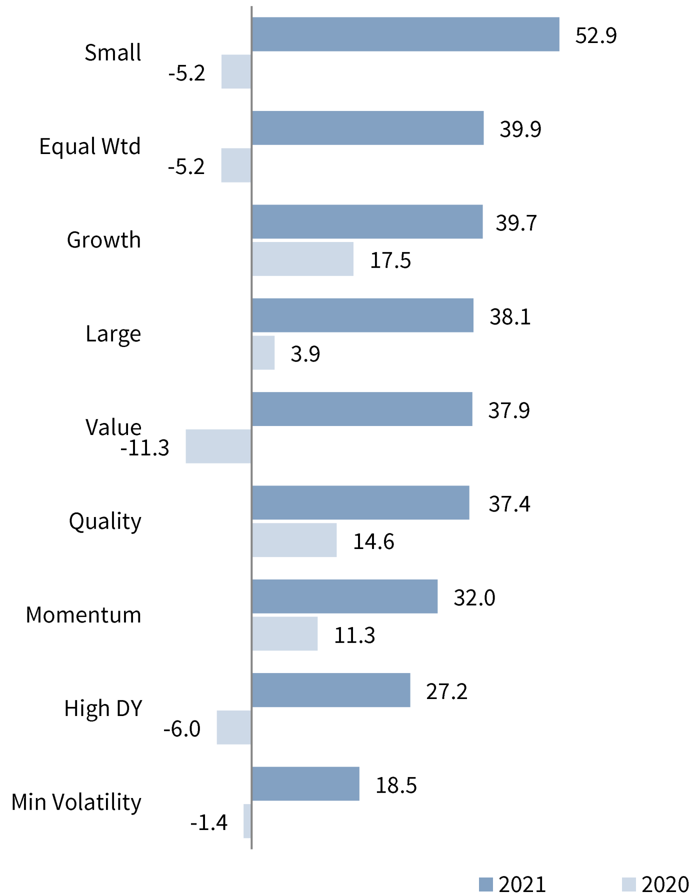
After the most sudden collapse in economic activity in modern history and a deep but short-lived recession, economic forecasters are predicting a revival of growth in 2021. The development and deployment of COVID-19 vaccines have paved the way for a gradual normalization of activity. Based on Google mobility data in the G7 countries, grocery, retail, and recreation activity have broadly returned to pre-pandemic levels. Workplace activity remains somewhat depressed still, and may not fully 'normalize' if flexible work becomes more common. The US is set to lead the way among DMs as a result of a quick vaccine rollout, earlier lifting of restrictions, and a more substantial provision of fiscal stimulus.

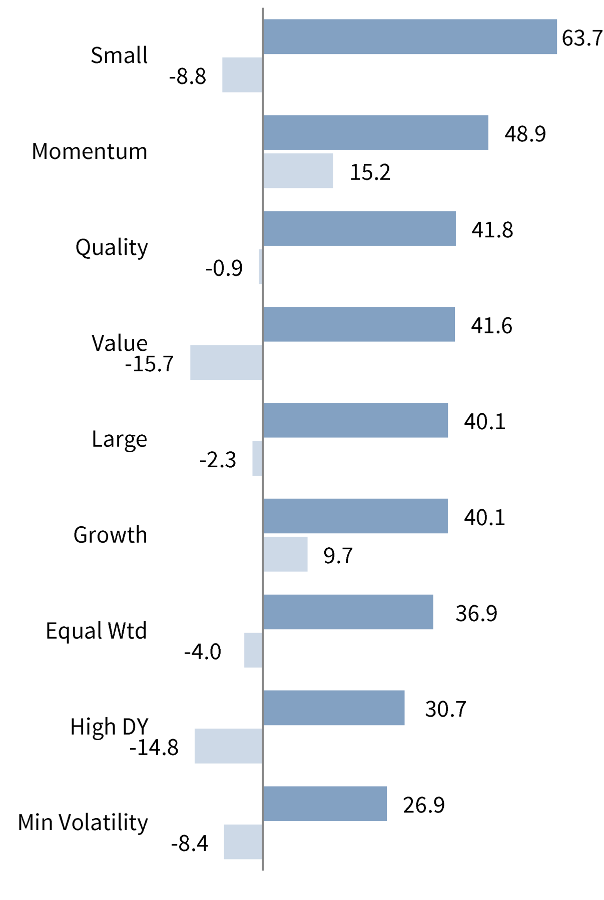
Sources: Bloomberg L.P., Google COVID-19 Community Mobility Reports, OECD, and Thomson Reuters Datastream.
Notes: 2021 GDP growth forecast data are based on Bloomberg consensus median estimates. G7 mobility data are aggregated using the country-level mobility weighted by its 2020 GDP. Mobility data reflect seven-day averages, and the mobility baseline is derived from data during the five-week period from January 3, 2020, to February 6, 2020.

The “small” size factor outperformed, while minimum volatility stocks lagged

EQUITY PERFORMANCE BY FACTOR AND STYLE: FY 2021 VS FY 2020

As of June 30, 2021 • US Dollar • Percent (%)





2021 2020

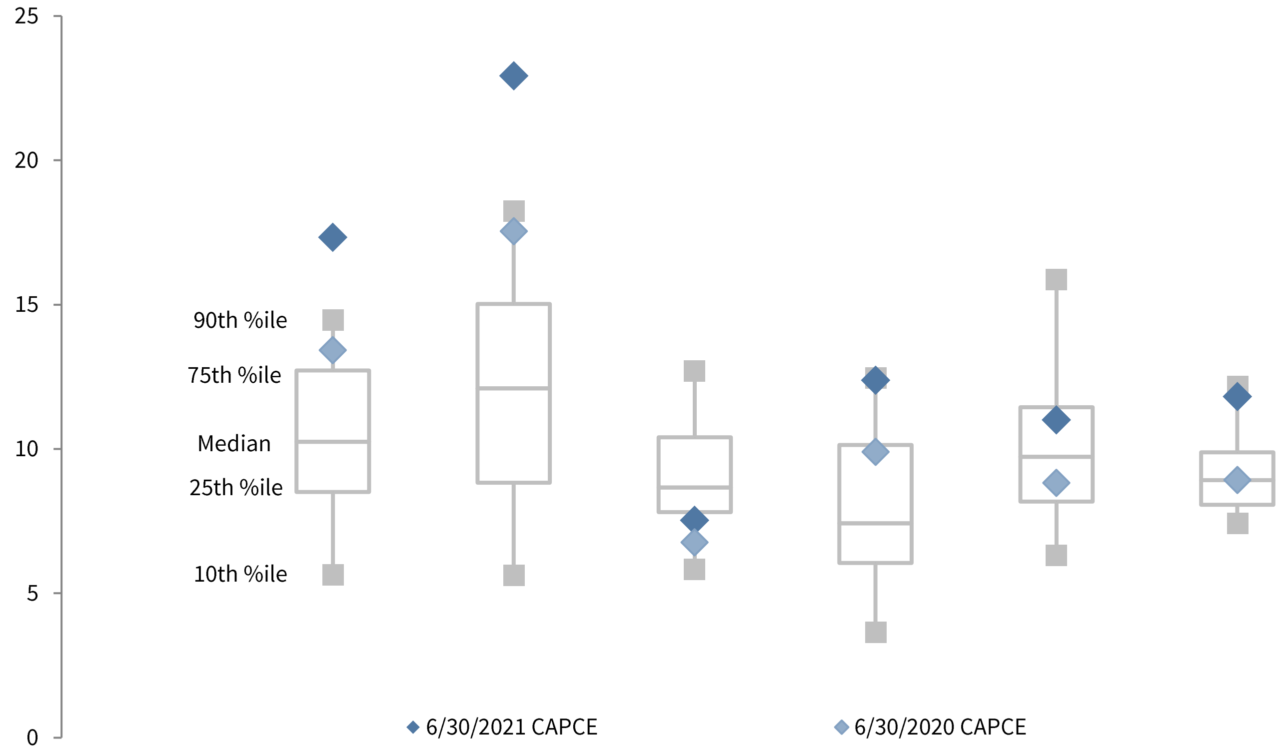
The “small” size factor outperformed other factors and styles during FY 2021, in both developed and emerging markets. The outperformance was meaningful in magnitude and represented a large reversal from FY 2020, when it was one of the poorest performers. Small-cap firms were disproportionately impacted by the physical COVID-19 restrictions and, therefore, benefited most from the actual and expected rolling back of these. Small caps’ greater sensitivity to the real economy also saw them benefit more from the provision of increased levels of fiscal stimulus. The minimum volatility factor lagged, as its defensive and low-beta characteristics meant it did not participate as fully in the broad market rebound.

Sources: MSCI Inc. and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Notes: Factors are based on the MSCI World Index and MSCI Emerging Markets Index. Total return data for all MSCI indexes are net of dividend taxes.

US equity market valuations remain historically elevated

CYCLICALLY ADJUSTED PRICE-TO–CASH EARNINGS (CAPCE) RATIOS BY REGION

As of June 30, 2021



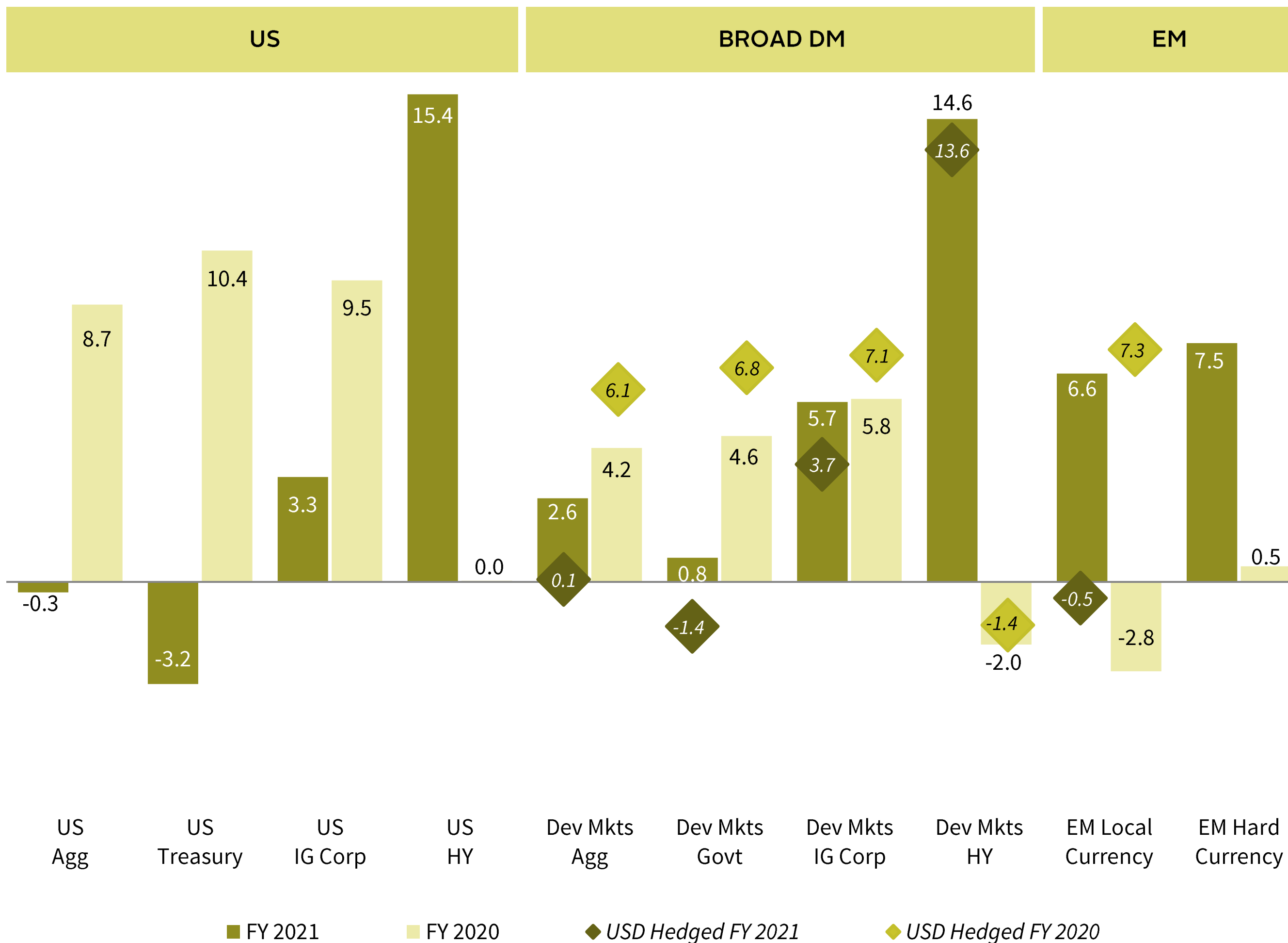
% Change	World	US	UK	Europe ex UK	Japan	EM
to 50th %ile	-40.9	-47.3	15.0	-40.1	-11.7	-24.5
to 25th %ile	-50.9	-61.5	3.7	-51.1	-25.7	-31.7
to 10th %ile	-67.4	-75.4	-22.5	-70.5	-42.7	-37.3

Sources: MSCI Inc. and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: The cyclically adjusted price-to–cash earnings (CAPCE) ratio is calculated by dividing the inflation-adjusted index price by trailing ten-year average inflation-adjusted cash earnings. Cash earnings are defined as net income from continuing operations plus depreciation and amortization expense. MSCI does not publish cash earnings for banks and insurance companies and therefore excludes these two industry groups from index-level cash earnings. EM is cyclically adjusted by trailing five-year data.

Despite some small declines in forward price-earnings ratios in recent months, the cyclically adjusted valuation of equity markets remains elevated versus their history. This is particularly true for the US, where a CAPCE of 22.9 at the end of June 2021 places its valuation in the 98th percentile. This valuation has been supported by a large weighting to growth stocks, as well as the highest growth expectations within developed markets. While the CAPCE of all regions rose during FY 2021, the expansion in the UK was modest. The UK's CAPCE remains subdued, partially due to a large weighting to value stocks. However, the negative international sentiment toward UK stocks since the Brexit referendum is also a factor.

High-yield credit and EM delivered strong returns as Treasuries underperformed



Except for US Treasuries, all other major categories of fixed income instrument delivered positive returns in FY 2021. Those segments with the highest risk premium performed most strongly as risk appetite improved. As such, high-yield credit delivered double-digit returns, supported by purchases by the US Federal Reserve under a number of credit facilities. A rapidly rebounding oil price also contributed to the strong performance. EM bond, both hard currency and local currency, provided solid returns as investor flows returned to the region. Treasuries delivered negative returns as yields rose when investors turned their focus to rising inflation and the Fed's eventual rate hikes.

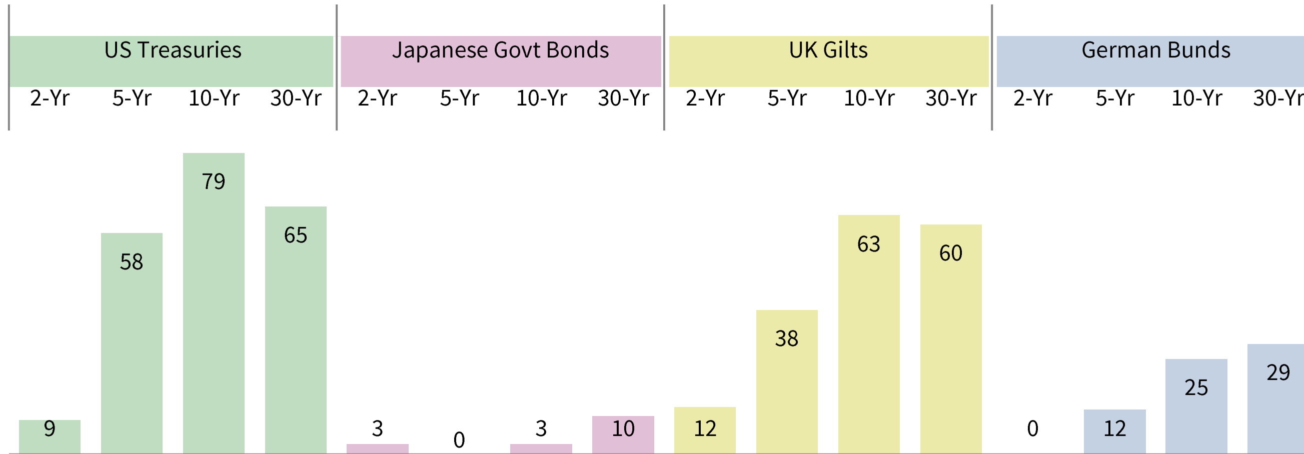
Sources: Bloomberg Index Services Limited, FTSE Fixed Income LLC, J.P. Morgan Securities, Inc., and Thomson Reuters Datastream.

Notes: Asset classes represented by Bloomberg Barclays US Aggregate Bond Index ("US Agg"), Bloomberg Barclays US Treasury Index ("US Treasury"), Bloomberg Barclays US Corporate Investment Grade Bond Index ("US IG Corp"), Bloomberg Barclays US High Yield Bond Index ("US HY"), Bloomberg Barclays Global Aggregate Bond Index ("Dev Mkts Agg"), FTSE World Government Bond Index ("Dev Mkts Govt"), Bloomberg Barclays Global Aggregate Corporate Bond Index ("Dev Mkts IG Corp"), Bloomberg Barclays Global High Yield Bond Index ("Dev Mkts HY"), J.P. Morgan Government Bond Index-Emerging Markets Global Diversified Index ("EM Local Currency"), and J.P. Morgan Emerging Markets Bond Index - Global Diversified Index ("EM Hard Currency").

Yield curves steepened as markets looked forward to higher growth and inflation

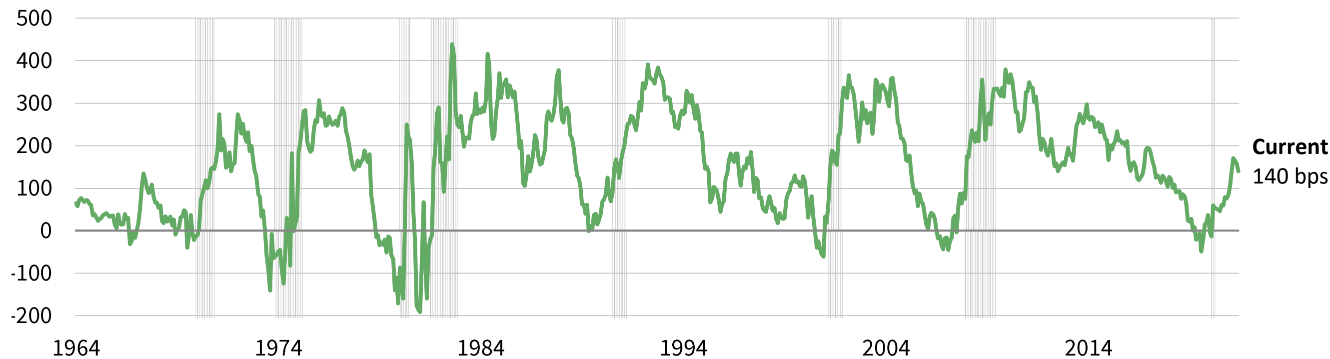
CHANGE IN YIELD VS JUNE 2020 FOR VARIOUS GOVERNMENT BOND MATURITIES

As of June 30, 2021 • Basis Points (bps)



10-YR/3-MO US TREASURY YIELD SPREAD

January 31, 1964 – June 30, 2021 • Basis Points (bps)



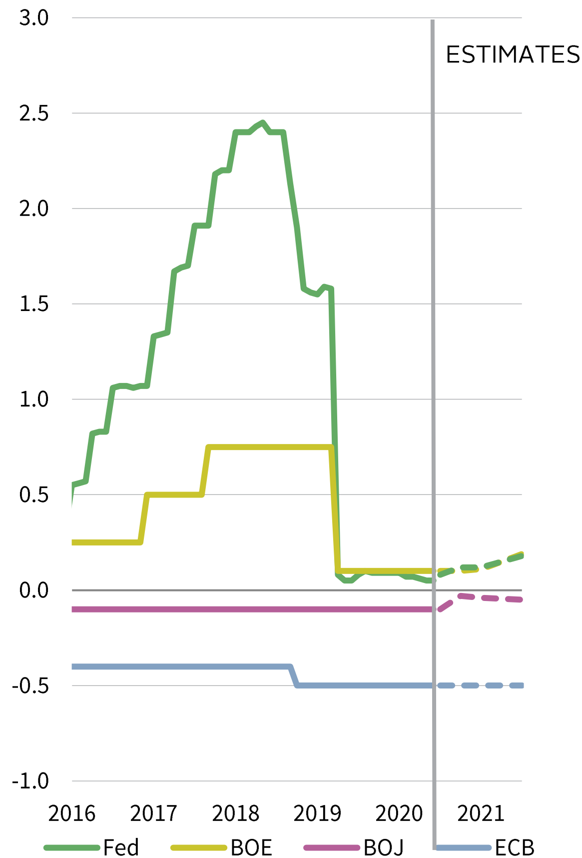
Sources: Federal Reserve, Global Financial Data, Inc., National Bureau of Economic Research (NBER), and Thomson Reuters Datastream.
Note: Shaded bars on the bottom chart reflect periods of US recession as defined by NBER.

Core government bond yields of most tenors rose as we moved past the worst of the health and economic crisis. As typically happens when exiting a recession, long-dated bond yields rose more than their short-dated counterparts. Shorter maturity bonds were supported by expectations that rate hikes still remain some way off. Longer-dated bonds are more exposed to these eventual policy shifts however, as they are subject to shifts in future inflation expectations. The US and the UK experienced the greatest degree of curve "steepening," as eventual hikes in those markets are perceived as being most likely, a result of higher growth and inflation. Expectations for continued moribund growth in Japan ensured any yield changes were very modest.

Rate of central bank asset expansion is slowing, while markets place rate hikes some way off

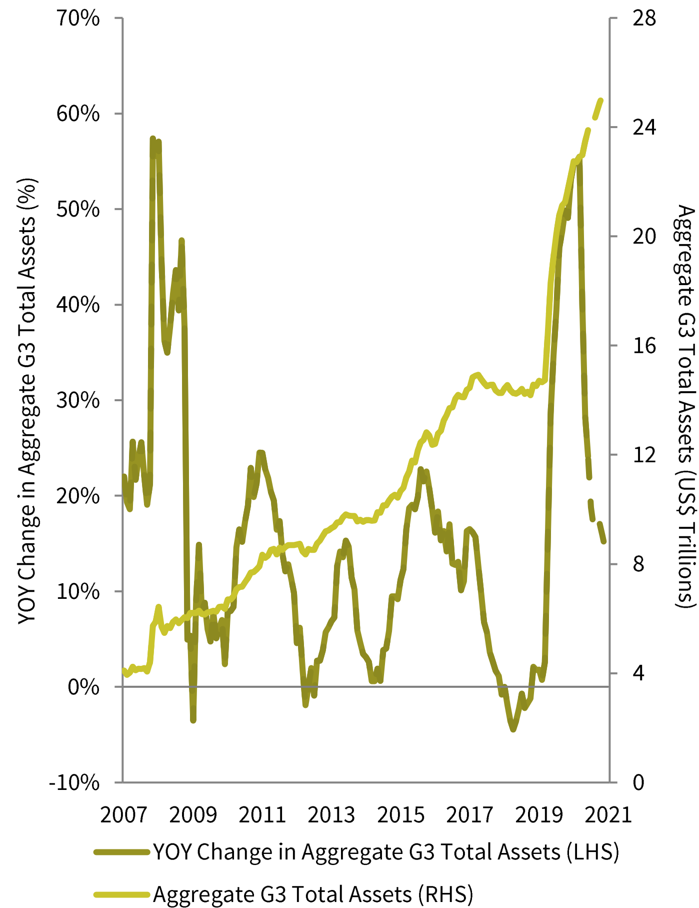
G4 GLOBAL POLICY RATES

December 31, 2016 – June 30, 2022 • Percent (%)



G3 CENTRAL BANK TOTAL ASSETS

December 31, 2007 – December 31, 2021 • US Dollar



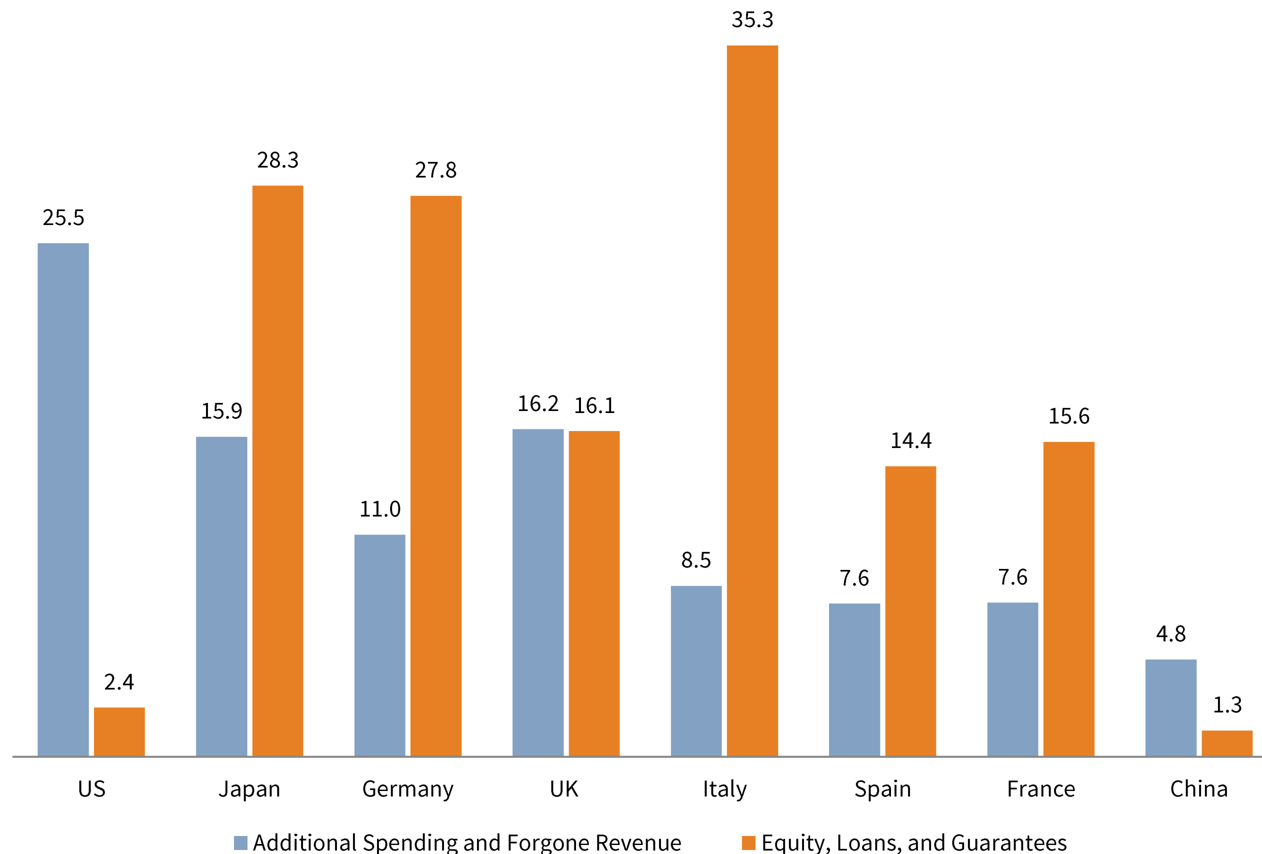
The Fed has maintained that it will look through a "transitory" rise in inflation and will refrain from raising interest rates until the labor market has fully recovered. Their latest projections have seen them, and the market, pull slightly forward their expectation of when such a rise may be appropriate. That time remains some way off, however, and subsequent rate rises are forecast to be gradual.

Nevertheless, a tapering of asset purchases may begin more imminently, leading to a further slowing in the growth rate of central bank assets. With asset purchases elsewhere not yet forecast to slow, most notably in the Euro Area, G3 central bank assets will continue growing for some time to come.

Sources: Bloomberg L.P., Goldman Sachs Research, MSCI Inc., National Sources, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: Policy rate data are as of June 30, 2021. Policy rate data are estimated after June 30, 2021, and based on market implied rates. Federal Reserve data based on the effective federal funds rate. The G3 central bank total assets consists of the total assets of the US Federal Reserve, European Central Bank, and Bank of Japan. Estimates on the RHS chart are represented by dotted lines and begin after June 30, 2021, and are based on Goldman Sachs estimates.

Fiscal authorities ramped up spending massively to deal with the COVID-19 crisis



Source: IMF Fiscal Monitor Report — April 2021.

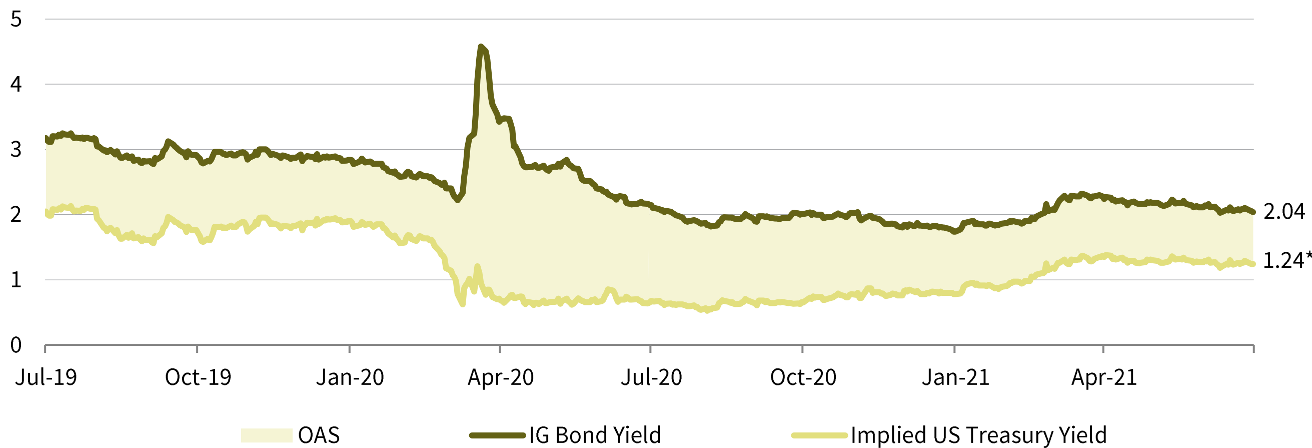
Notes: Data refer to fiscal measures announced between January 2020 and March 17, 2021. Additional spending reflects government expenditure in both healthcare and non-healthcare related items. Forgone revenue reflects tax breaks, tax incentives, and other measures that lead to lower government revenues. Equity, loans, and guarantees refer to equity injections, loan programs, and guarantees on loans and deposits for affected companies and sectors.

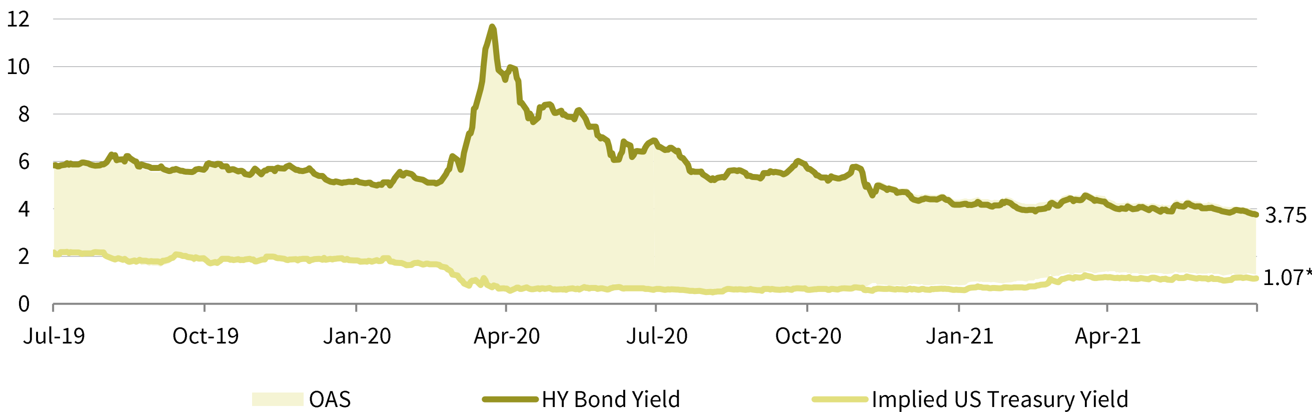
Since monetary policy proved insufficient to assuage the effects of a massive collapse in demand, it fell to the fiscal authorities to respond to the unfolding economic damage. They did so by increasing spending in a manner not seen since World War II. A large proportion of this spending took the form of employment or income support to help employees navigate the shutdowns. More contingent measures, such as loans and guarantees, were also extended to help businesses. As we move past the worst of the pandemic, fiscal authorities are increasingly looking at infrastructure investments, both to stimulate demand and to aid in the transition away from fossil fuels.

US corporate bonds set new yield lows in FY 2021

OPTION-ADJUSTED SPREADS ON US INVESTMENT-GRADE AND HIGH-YIELD CORPORATE BONDS

July 1, 2019 – June 30, 2021 • Percent (%)





* US Treasury yields are calculated by subtracting the IG and HY OAS from the IG and HY bond yields.

Sources: Bloomberg Index Services Limited and Thomson Reuters Datastream.

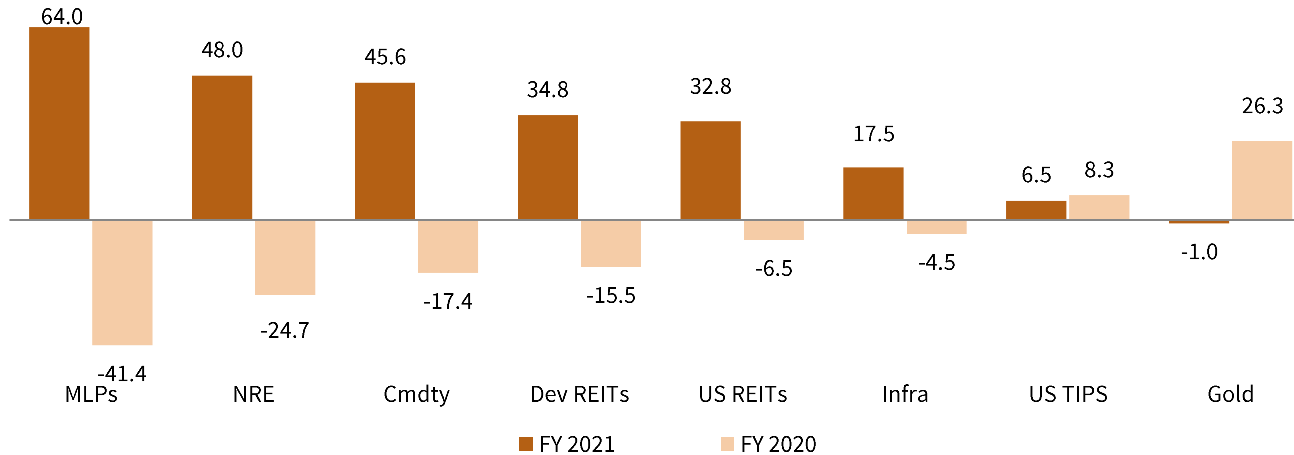
Notes: Data for US investment-grade (IG) bonds are represented by the Bloomberg Barclays US Corporate Investment Grade Bond Index, and data for US high-yield (HY) bonds are represented by the Bloomberg Barclays US High Yield Bond Index. Data are daily.

When corporate bond spreads in both the investment-grade (IG) and high-yield (HY) markets blew out at the peak of the pandemic, support from federal quantitative easing (QE) programs helped to stabilize the market initially. While such schemes continued into FY 2021, it has been a broader recovery in risk sentiment that has helped spreads to narrow further. Both IG and HY spreads have surpassed their pre-pandemic lows and are at levels that have not been seen since before the Global Financial Crisis. Indeed, rock-bottom Treasury yields helped to push the all-in yield on both IG and HY bonds to fresh all-time lows.

Real assets performed strongly as demand rebounded and inflation rose

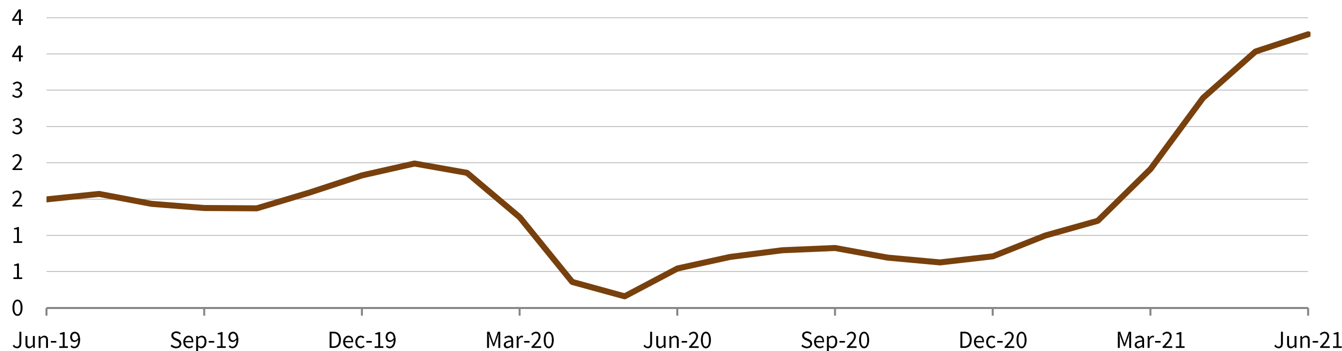
REAL ASSET AND INFLATION SENSITIVE PERFORMANCE: FY 2021 VS FY 2020

Total Return (%) • US Dollar



G7 CPI YOY % CHANGE

June 30, 2019 – June 30, 2021 • Percent (%)

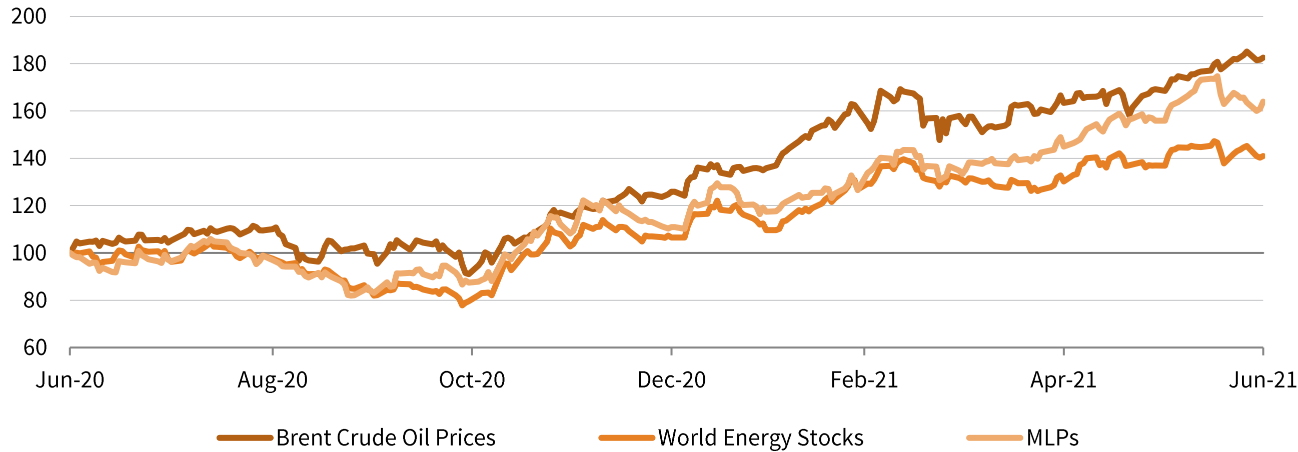


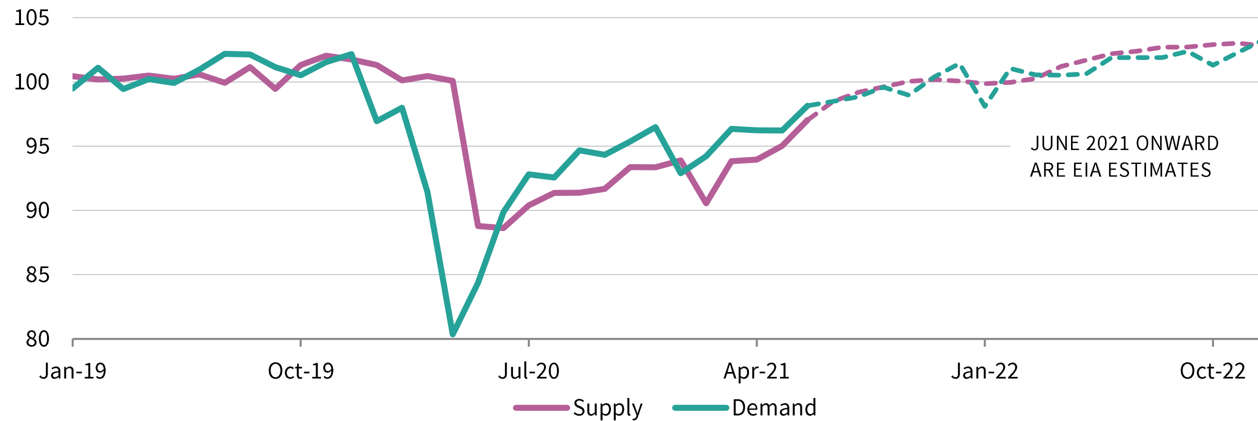
Energy prices continued their strong rebound in FY 2021, even outpacing broader commodity markets that also delivered very strong returns. This helped MLPs deliver some of the strongest returns in the real assets space. More generally, commodities were supported both by a resurgence in demand, as well as supply constraints. REITs were generally supported by the path towards economic reopening, which supported retail, industrial, and office properties. US housing was also well supported by high affordability and constrained supply. TIPS delivered solid returns despite rising nominal yields, as rising inflation pushed real yields lower.

Sources: Alerian, Bloomberg Index Services Limited, Bloomberg L.P., EPRA, FTSE International Limited, Intercontinental Exchange, Inc., MSCI Inc., National Association of Real Estate Investment Trusts, OECD, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: All returns are total returns, except those for gold, which are based on spot price returns. Asset classes represented by the following: Alerian MLP Total Return Index ("MLPs"), market cap-weighted Datastream World Energy Index and Datastream World Basic Resources Index blend ("NRE"), Bloomberg Commodity TR Index ("Cmdty"), FTSE® EPRA/NAREIT Developed Real Estate Index ("Dev REITs"), FTSE® NAREIT All Equity REITs Index ("US REITs"), MSCI World Infrastructure Index ("Infra"), Bloomberg Barclays US TIPS Index ("US TIPS"), and LBMA Gold Price ("Gold"). Total return data for all MSCI indexes are net of dividend taxes.

A tight control of supply supported energy prices as demand gradually returned





Energy and energy-linked assets performed strongly in FY 2021. The strong rebound in activity, particularly industrial activity, supported an improved demand environment for oil. Meanwhile, OPEC and its allies maintained their discipline with regards to regulating supply in the sector. Even as demand forecasts have improved, they have only increased supply in small increments, helping to support prices. The resurging oil price did support energy stocks; however, environmental concerns contributed to a somewhat weakened relationship between the two as the "energy transition" remained a prominent theme.

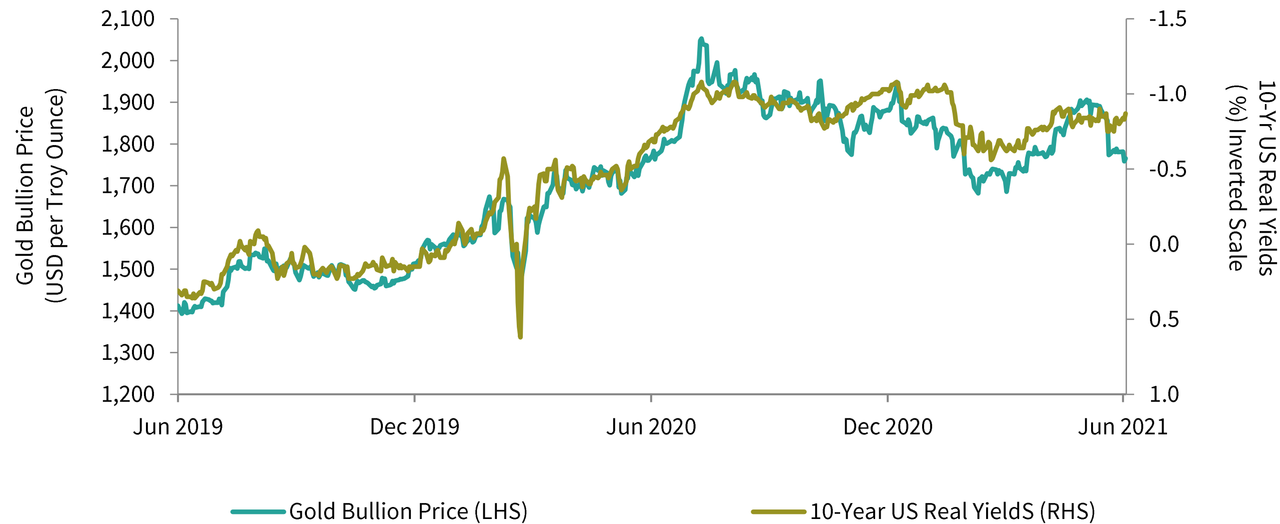
Sources: Alerian, Bloomberg L.P., Intercontinental Exchange, Inc., MSCI Inc., Thomson Reuters Datastream and US Energy Information Administration. MSCI data provided "as is" without any express or implied warranties.

Notes: Performance data are daily. Brent Crude Oil Prices, World Energy Stocks, and MLPs are represented by ICE Brent Crude Near-Month Futures, MSCI World Energy Index, and the Alerian MLP Total Return Index, respectively. Total return data for all MSCI indexes are net of dividend taxes. Global oil supply and demand data are monthly.

Gold largely continued to track US real yields in FY 2021

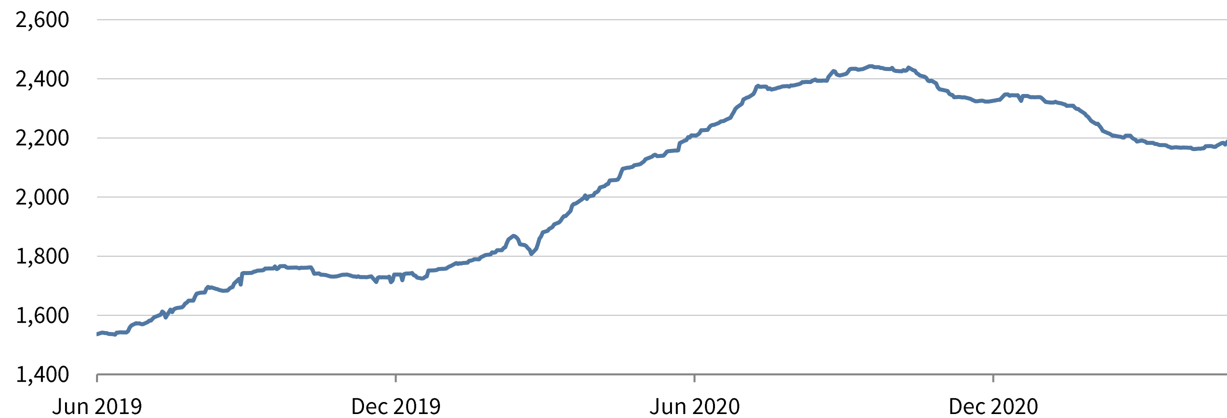
GOLD BULLION PRICE VS 10-YR US REAL YIELDS

June 30, 2019 – June 30, 2021



AMOUNT OF GOLD HOLDINGS BY GOLD-BACKED ETFS

June 30, 2019 – May 31, 2021 • Tonnes

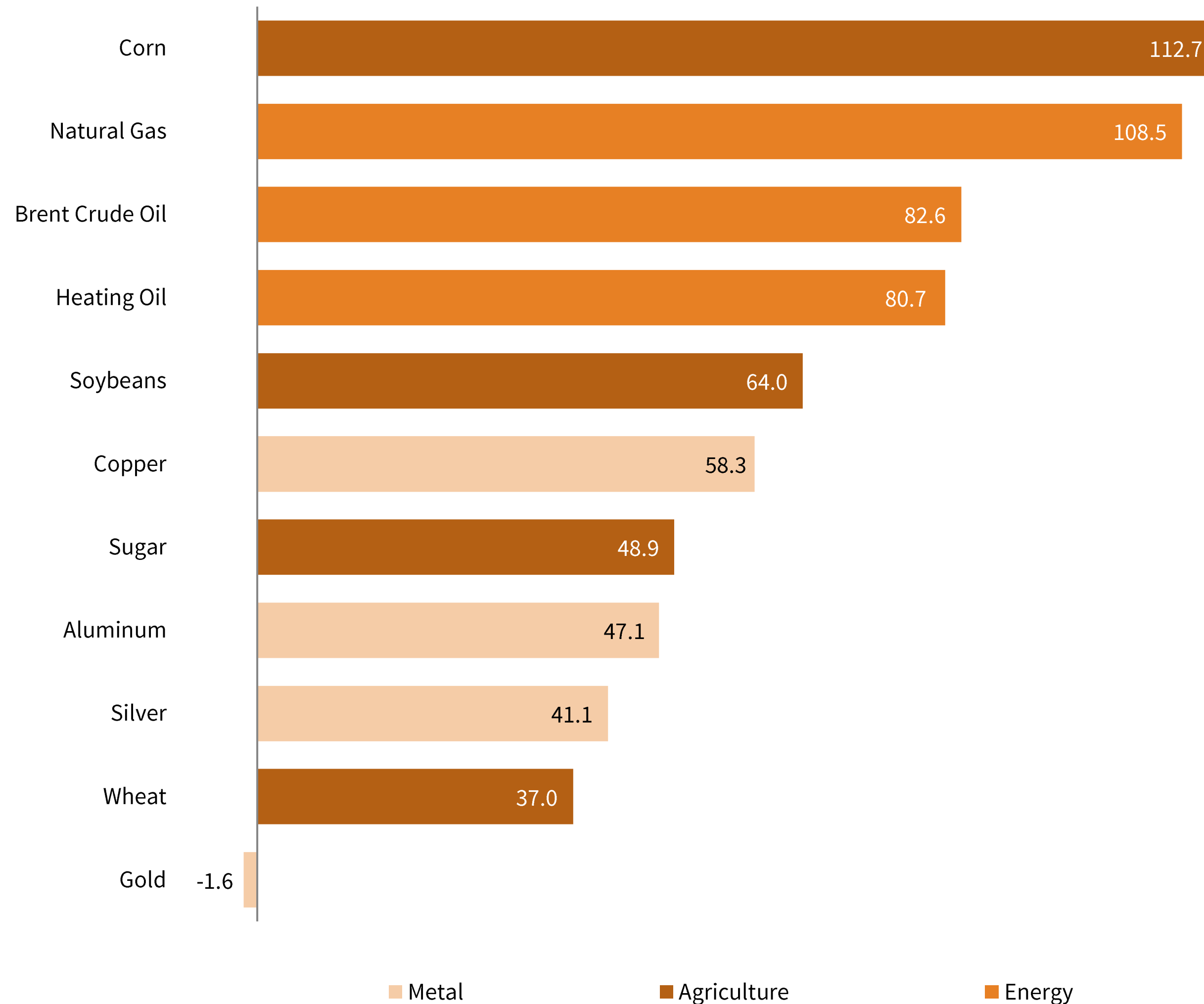


Gold has tended to trade in line with real yields. That relationship partially held up as we moved through FY 2021, though its return of -1% was a modest under-performance compared to the 19 bps decline in US 10-yr real yields. This was likely down to a reduction in the desire to hold gold for purely safe-haven purposes, rather than as an inflation hedge or on relative valuation grounds. Gold holdings by gold-backed ETFs peaked in late October/early November. This coincided with the release of successful final trial results of COVID-19 vaccine candidates, which resulted in worst-case expectations for the economy being substantially moderated.

Sources: Federal Reserve, Intercontinental Exchange, Inc., Thomson Reuters Datastream, and World Gold Council.

Notes: Real yields reflect the US 10-year TIPS yield. Data are daily.

Most commodity prices surged in FY 2021



Source: Bloomberg L.P.

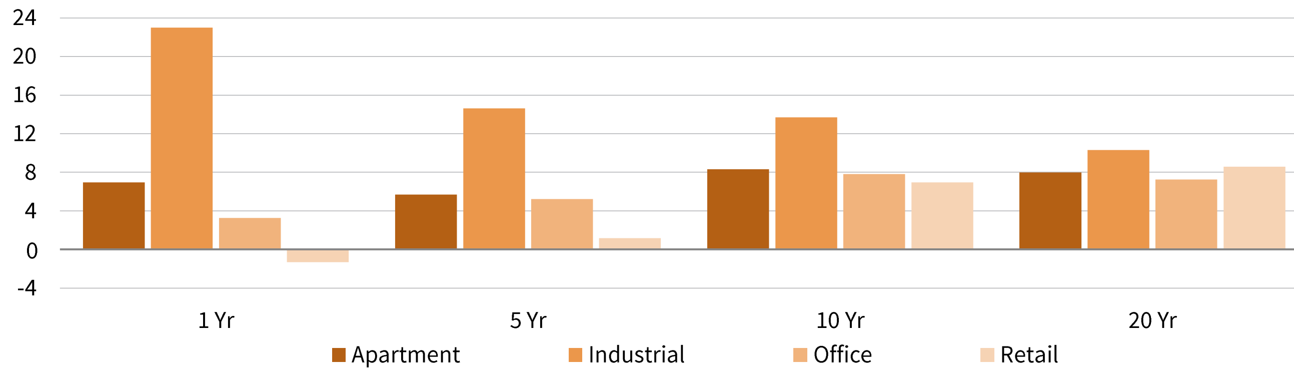
Note: Spot returns reflect changes in near-month futures contracts, as reported by Bloomberg L.P.

Most commodities delivered robust returns in FY 2021, with energy assets dominating the top of the leaderboard. The recovery in demand for these fuels post-lockdown, combined with a collection of hits to supply and trade flows, have lifted prices in several of these markets. Oil specifically has been supported by OPEC actions to keep a strict limit on any increase in output even as demand firmed. In addition to rebounding current demand, industrial metals have been further supported by hopes that the energy transition and proposed infrastructure packages will see future demand grow. Agriculture commodities also surged due to a boom in imports, particularly from China, while inventories declined as La Niña impacted production in South America.

Retail property remains a sector under pressure

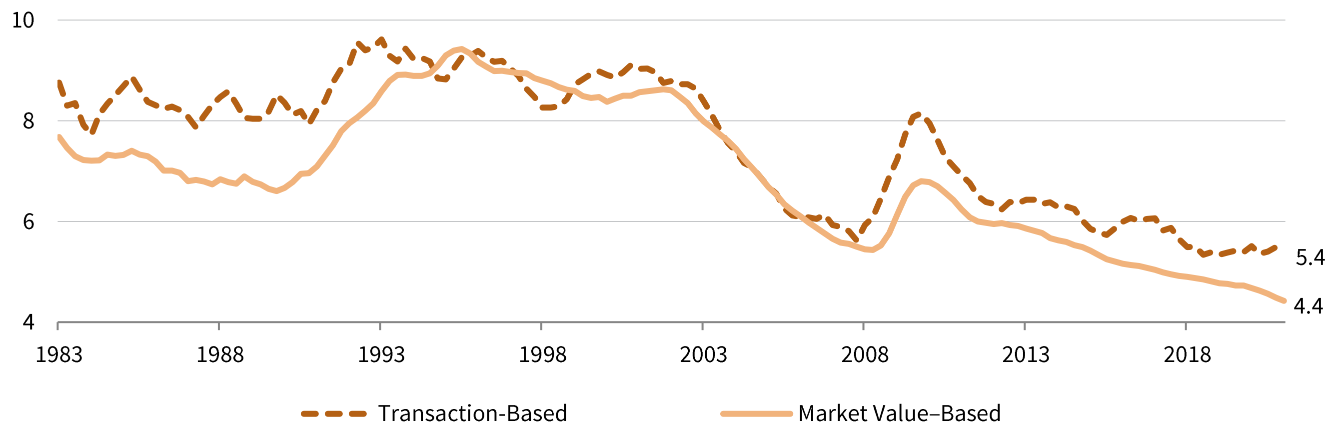
RETURNS BY PROPERTY TYPE

As of Second Quarter 2021 • AACR (%) • US Dollar



ALL PROPERTY CAP RATES

Second Quarter 1983 – Second Quarter 2021 • Percent (%)



Source: National Council of Real Estate Investment Fiduciaries.

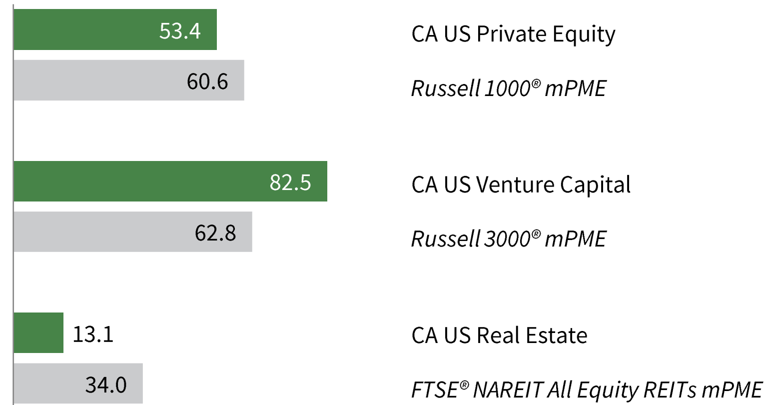
Notes: AACR represents total returns. Cap-rate data represent a four-quarter moving average. All data are quarterly.

Property price appreciation slowed across most categories in FY 2021 in comparison to longer horizon trends. Industrial property bucked this trend, however, growing by 23% over the last year. The boom in e-commerce has supported strong demand for warehousing and logistics-related property. Newer industrial subcategories, such as data centers and cell towers, continue to benefit from the growing digital economy. Retail remained the sector under most pressure among those shown. While the secular trend away from brick-and-mortar retail has impacted the sector over the past several years, this year, it also bore the brunt of the economic lockdowns that saw consumers remain at home.

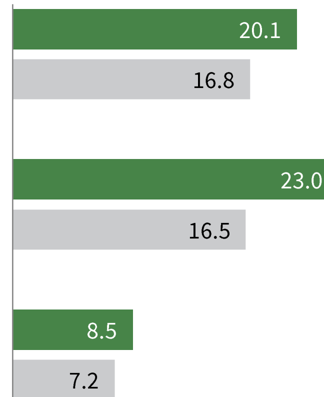
Private markets outperformed public investments in recent years

PERFORMANCE OF SELECT CAMBRIDGE ASSOCIATES PRIVATE INVESTMENT INDEXES VS PUBLIC EQUIVALENTS
As of First Quarter 2021 • Percent (%)

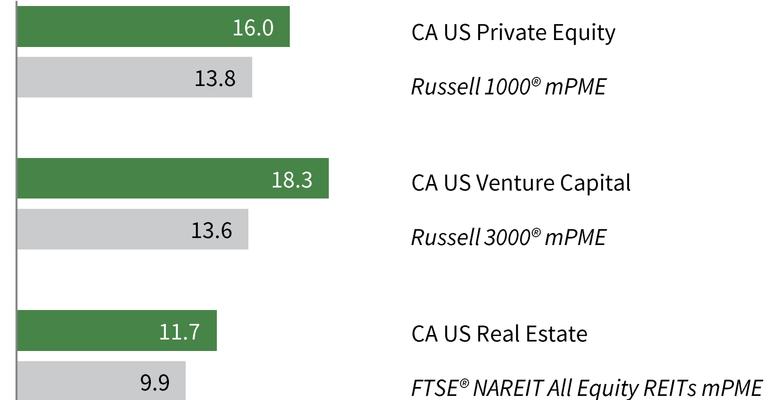
1-Yr Return



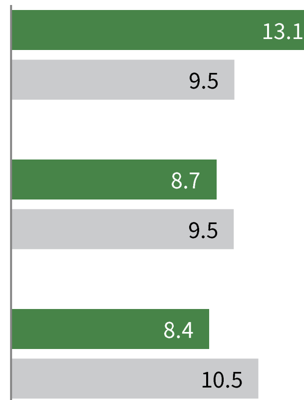
5-Yr Return



10-Yr Return



20-Yr Return



Sources: Cambridge Associates LLC, Frank Russell Company, FTSE International Limited, National Association of Real Estate Investment Trusts, and Thomson Reuters Datastream.
Notes: Private index returns are pooled horizon IRRs, net of fees, expenses, and carried interest. The CA Modified Public Market Equivalent (mPME) replicates private investment performance under public market conditions. The public index's shares are purchased and sold according to the private fund cash flow schedule, with distributions calculated in the same proportion as the private fund, and mPME net asset value is a function of mPME cash flows and public index returns.

Private markets posted very strong one-year returns that were well above the average posted over longer horizons. However, Private Equity and Real Estate trailed their comparable public markets over the course of the year, given the strong rebound in public markets following their pandemic lows. Over longer horizons, however, private markets have outperformed, with the three private indexes shown all outperforming over five- and ten-year horizons.

Hedge fund delivered impressive returns across most strategies

Preliminary data from Hedge Fund Research, Inc., suggest performance across the primary hedge fund strategies was strong, in some cases very strong, in FY 2021, with the widely followed HFRI Fund Weighted Composite Index up 27.5%%. Stock markets powering on to fresh all-time highs proved to be a tailwind for funds in the equity space, though market-neutral funds were only able to take moderate advantage of increasing dispersion in stock returns. The aftermath of COVID-19 damage, combined with increasing levels of M&A activity, provided ample opportunity for event-driven funds to perform well.

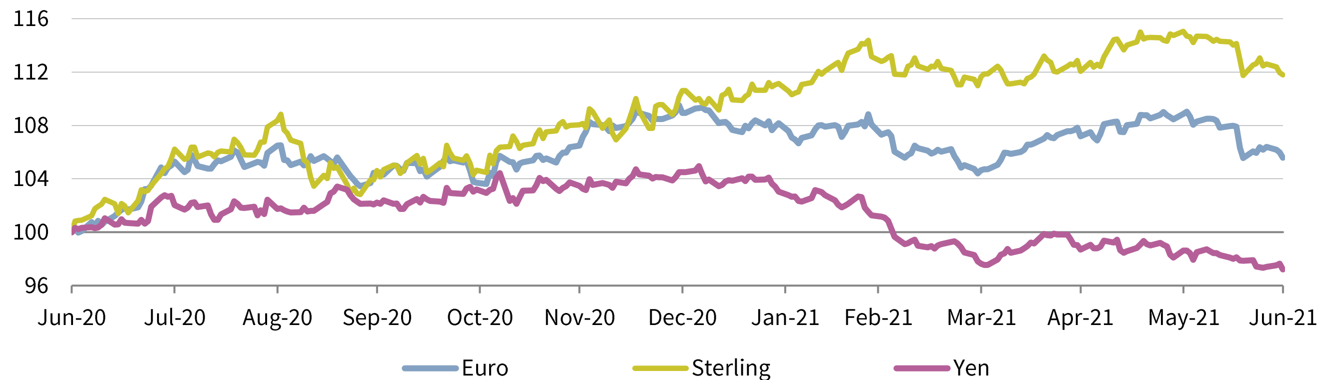
Source: Hedge Fund Research, Inc.
Note: Hedge Fund Research data are preliminary for the preceding five months.

The US dollar declined during the year as risk appetite returned

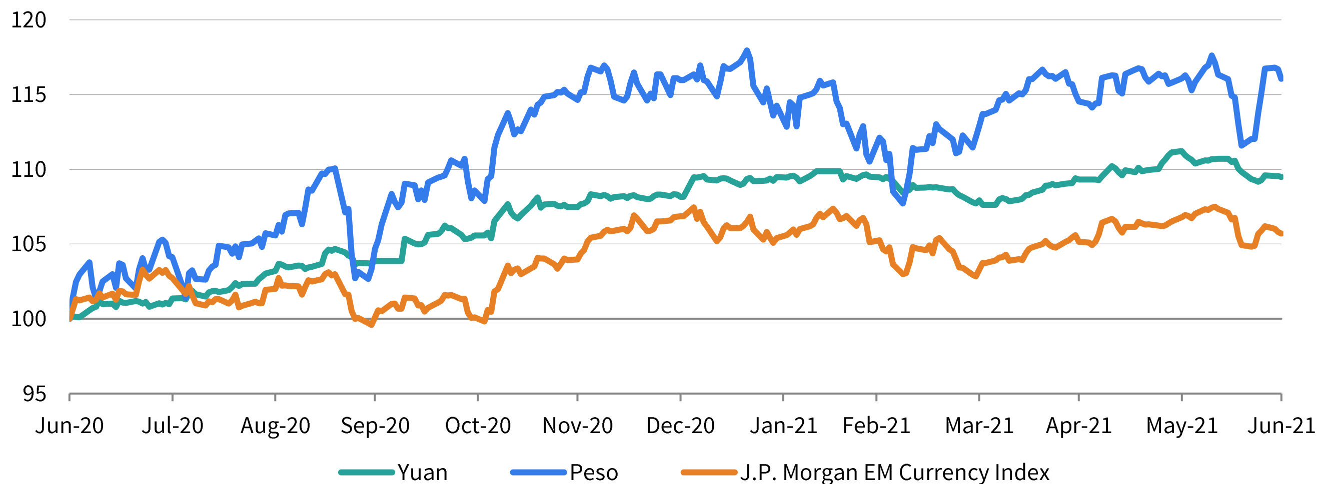
SELECT NOMINAL CURRENCY MOVEMENTS VS THE US DOLLAR

June 30, 2020 – June 30, 2021 • June 30, 2020 = 100

Euro, UK Sterling, and Japanese Yen vs US Dollar



Chinese Yuan, Mexican Peso, and JP Morgan EM Currency Index vs US Dollar



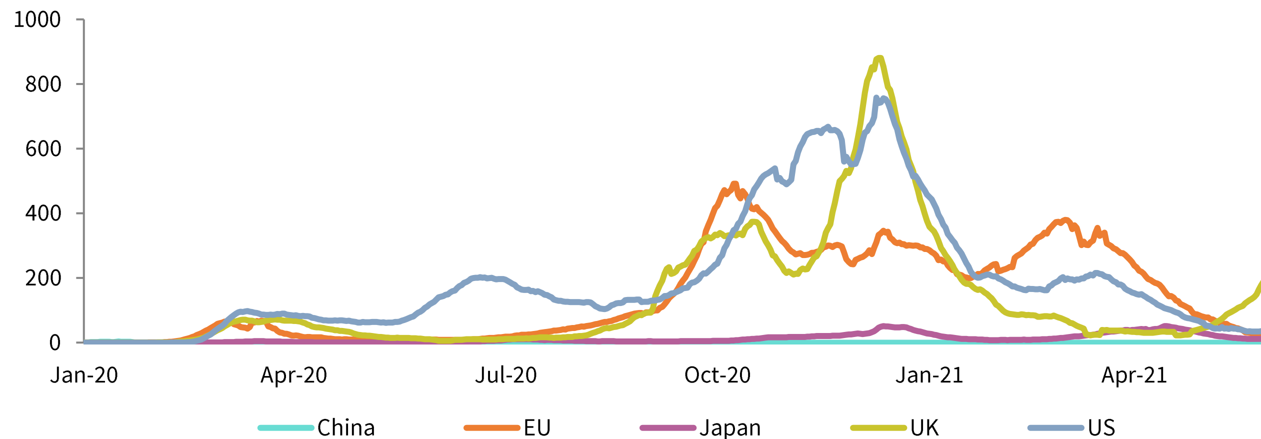
The US dollar weakened in FY 2021, as it gradually gave up the safe-haven bid it had received during the worst of the crisis. The improving underlying economic backdrop, combined with increasing risk appetite, saw more growth-sensitive currencies outperform. Within developed markets, the finalization of Brexit negotiations gave sterling a particular fillip. The yen, by contrast, declined modestly against the dollar. The yen gave up its own safe-haven gains from the crisis, while relatively sluggish growth expectations for Japan saw it benefit less from the economic revival. The relative outperformance of the Chinese economy resulted in a strong yuan and also contributed to a broader rebound in EM currencies.

Sources: J.P. Morgan Securities, Inc. and Thomson Reuters Datastream.

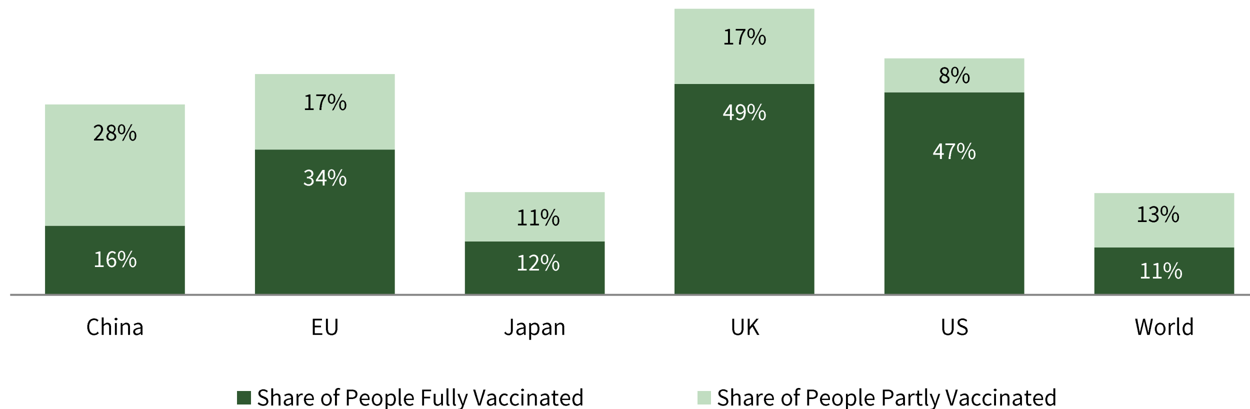
Note: Data are daily.

Successful COVID-19 vaccine rollouts underpinned expectations of economic normalization

DAILY NEW CASES PER 1M POPULATION: 7-DAY MOVING AVERAGE
January 29, 2020 – June 30, 2021



SHARE OF PEOPLE VACCINATED
As of June 30, 2021



New COVID-19 cases rose to fresh highs in many countries during a so-called second wave of the virus in the middle of FY 2021. Nonetheless, this episode proved to be somewhat less disruptive economically due to the experience gained during the first wave. The administration of COVID-19 vaccines began in earnest after this second peak. The rollout of vaccines to a substantial portion of the population was relatively speedy in developed countries; however, developing nations still lag, with some way behind. Cases of the new Delta variant picked up in the UK toward the end of the period, but the much lower rate of hospitalization and death rates subsequently witnessed indicate that vaccines are proving effective.

Source: Our World in Data.

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