

State of Play



9 April 2021

Our Investment Specialist, Simon Durling, shares his thoughts in our latest update.

The next stage of the roadmap to normality confirmed to proceed as planned

As at 6 April, new COVID-19 infections have now fallen to their lowest since September last year and patients in hospital with the virus are now at levels last seen in October. Given the vaccination programme has now administered the first jab to nearly 32 million people and the number of fully inoculated has reached almost six million, the green light to gyms, hairdressers, non-essential shops, pubs and restaurants has now been given, albeit for outside service only at this stage for food and drink.

Though the Prime Minister warned against complacency, he confirmed his belief that, based on the current data, there was nothing to prevent the next stages of the roadmap proceeding as planned. He said, 'We can't be complacent. We can see the waves of sickness affecting other countries. We still don't know how strong the vaccine shield will be when cases begin to rise, as I'm afraid that they will. By being cautious, by monitoring the data at every stage and by following the rules, we hope together to make this roadmap to freedom irreversible'.

Following a successful trial with secondary school pupils and key workers, the UK Government plans to test adults twice weekly from today (9 April) using the 30 minute lateral flow tests in an attempt to spot cases early to prevent another wave. This has garnered mixed opinion, with some describing this as reckless as concerns remain that the lateral flow tests are less accurate than the 'gold-standard' PCR (polymerase chain reaction) tests given to people with symptoms, but more convenient because they do not have to be processed in a laboratory and results are delivered quickly. Susan Michie, a University College London Professor of Health Psychology, said she also feared that people would

be falsely reassured by negative test results and let down their guard against the virus. There is already evidence that people have done so since the vaccine was introduced, she said, adding: 'This problem is likely to be exacerbated by negative results which are not an accurate indicator of not having coronavirus'.

Vaccine passports

As more and more people are vaccinated and economies around the world begin to reopen, the sensitive subject of vaccine passports has been debated as a way to enable society to return to a pre-pandemic way of life. Politicians across the spectrum have weighed in with various opinions ranging from vaccine passports being essential to others claiming they breach civil liberties and human rights. Regardless, our normal social world in which we like to travel, interact and lead active lives is dependent to some extent on the risk of new variants and on new waves after 21 June, when all social restrictions in the UK are currently planned to end.

Initially a vaccine passport may have been required to access a restaurant or your local pub but with concerns about a two tier society these plans have been scrapped. For larger events where thousands gather to watch their favourite football team or live artist, the plans make more sense but only as a temporary measure.

The complexity of vaccine passports is even more challenging when it comes to foreign travel. The UK Government has confirmed that it plans to introduce a traffic light system to help navigate the next few months but does not plan to publish this until 17 May. Understandably tour operators and travel firms have complained that this leaves no time to prepare. Martyn Sumners, Executive Director of the Association of Independent Tour Operators said, 'the fact that we won't know until next month which countries are permitted for travel will make it very difficult to get programmes up and running. It does not happen overnight. There are many elements of a holiday to organise. The travel industry cannot go through the fiasco of cancelling bookings because a system has been ill thought through and leave customers and operators angry because of the confusion'. The plan is to designate countries as red, amber or green depending on how badly they are currently affected by the pandemic. Which category a country falls into will no doubt be determined by its vaccination rates, infection rate and the prevalence of COVID-19 variants.

Regardless of the colour, even green countries will probably require at least three COVID-19 tests, one before departure and two on the travellers return. People who travel to amber countries will have to isolate for 10 days when they get back but could be released if they test negative after five. People who visit red countries will have to submit to the existing hotel quarantine regime. Concerns have also been raised over how often the list of red, amber and green countries will be reviewed as travel companies are desperate to avoid a repeat of last summer's chopping and changing of the travel corridor list. In addition, blanket categorisation to countries with island holiday destinations could be adversely affected. Noel Josephides, Chairman of the tour operator Sunvil, said, 'we need to

know that blanket traffic lights over whole countries will not happen. We cannot be in a situation where the whole of Spain or the whole of Greece are shut when we know that the prevalence of coronavirus is negligible in many regions'.

US vaccinations average over three million doses per day for the first time

President Joe Biden set a target of 100 million vaccine doses in his first 100 days. Having achieved this target in just over half the time, his ambition now is that Americans will be able to celebrate Independence Day on 4 July with family and friends. More than 106 million people, or 32% of the population, have received at least one dose of one of the three COVID-19 vaccines being used and more than 61 million people have had two jabs. Last week was also the first week which saw the daily average top three million vaccinations. Much of the US has already returned to a semblance of normality with many shops, restaurants and bars being open albeit with limited capacity on the number of people allowed to enter premises. The Transportation Security Administration, the agency responsible for security on America's transport network, said that 1.58 million people had flown from US airports on Friday (2 April), 10 times the low point of the pandemic but two thirds of normal levels. At the end of March, President Biden said: 'if we do this together, by 4 July, there is a good chance you, your family and friends can get together in your backyard or in your neighbourhood and have a cookout or a barbecue and celebrate Independence Day. After a long, hard year, that will make this Independence Day truly special — where we not only mark our independence as a nation but we begin to mark our independence from this virus'.

Economic news

The UK's recovery is expected to be faster and better than hoped over the next couple of years as the economy rebounds from the worst recession ever recorded. In its latest forecasts, the International Monetary Fund (IMF) said that the economy would grow by 5.3% this year and 5.1% in 2022, the fastest growth since 1988 and an upgrade since January. Last year the economy shrank by 9.8%, the deepest recession since 1709. These revisions leave the UK as the third quickest growing G7 economy in 2021 after the US and France, having been the worst performing in 2020. Global growth has also been raised sharply to 6% this year and 4.4% in 2022. Government support, amounting to \$16tn worldwide, as well as interest rate cuts, quantitative easing and loan guarantees, prevented a far worse outcome than the 3.3% contraction in global Gross Domestic Product in 2020, the deepest global recession since the Second World War. 'Our estimates suggest last year's severe collapse could have been three times worse had it not been for such support', the IMF said.

Market update

It has taken over a year for the FTSE 250 Index, which represents the UK's medium size companies, to breach its previous high in February 2020 - finally recovering the pandemic losses following a strong start to April. The FTSE 250, which is home to companies such as Royal Mail and Marks & Spencer, has a more domestic make up when compared to the FTSE 100 companies. They are much more reliant on UK consumers and the three lockdowns and restrictions have made the last 12 months one of the hardest on record. Global shares have also made good progress since the beginning of the month following optimism about vaccination progress and the prospect of restrictions easing. Despite the inflation fears leading to a difficult March when investment returns were mixed, the momentum in markets appears to have shifted with more confidence about future returns especially following improvements in economic forecasts globally and improved employment data supported by massive financial stimulus.

Find out more

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Note: Data as at 6 April 2021.



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