

# State of Play



**6 May 2021**

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

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## Crisis in India

**India struggles to cope with what has now become the epicentre in the global battle against COVID-19.**

Cricket in India has often been described as a religion as opposed to a sport, having grown into a multi-billion-dollar business with no little help from the Indian Premier League (IPL). In a reflection of the growing pandemic crisis engulfing the nation, on 4 May the decision was taken to suspend the 2021 IPL indefinitely when a third team reported cases of COVID-19 within their squad. Given the reverence afforded to cricket in India this shows the impact so far of the enormous second wave. Yet we shouldn't forget that from September through to February India saw a sharp fall in cases – in contrast to the global trend. In early March India's Health Minister, Harsh Vardhan, declared that the country was 'in the endgame' of the COVID-19 pandemic with new cases in mid-February down to 11,000 per day from a peak of 93,000 in September last year. The Prime Minister, Narendra Modi, was described as a 'vaccine guru' and the central bank declared that India was 'bending the COVID infection curve'.

At the end of February key elections in five different states were announced and within a month, infections had risen startlingly to 100,000 per day and have now reached a global record of over 350,000 per day. So, how did this happen so quickly? Many believe that a miscalculation on the prospect of herd immunity triggered many to let their guard down by attending large social gatherings, weddings, religious festivals and political events. Added to

this the take up rates of vaccines fell as some people felt they were no longer necessary. Thus far India has vaccinated over 157 million people but in a population of 1.4 billion, this equates to less than 10%.

The Indian health system is struggling under the pressure of a huge, often dispersed population short of oxygen, ventilators, and critical care beds. All of this comes shortly after the authorities decided to close four temporary hospitals in Delhi, the capital, in addition to an 800 bed hospital in Pune, just before the devastating second wave began. The international community, including the US and UK, are responding by sending vaccines, oxygen and ventilators.

The effects of this second wave extends beyond India's borders as it contributes significantly to the global economy – it is the fifth largest economy according to the World Bank. India currently has extended travel restrictions globally due to the aforementioned infection rates and the complication of identifying a new mutation, B.1.617, which has two key strains that could potentially reduce the efficiency of the existing vaccines being used to inoculate the global population. India produces 70% of the worlds vaccines and the second wave could reduce exports, in turn slowing down the global vaccination program which could lead to further lockdowns, increased social distancing and a reduction in economic activity.

As India passes 20 million cases and 220,000 deaths (which some fear is significantly under reported) the world crosses its fingers that new lockdowns and international help will get the fight against COVID-19 back under control.

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## Foreign travel roadmap

Many families who decided against the risk of a foreign holiday last year wait in anticipation, along with the wider travel and tourism sector, for the outcome of the scheduled UK Government announcements next weekend as we approach the next key milestone in the unlocking roadmap. In a major boost to the beleaguered tourism industry destinations such as the Canary Islands, Malta, Crete and Corfu have been declared safe by the Foreign Office in the last few days ahead of 17 May when the UK Government prepares to lift the ban on foreign holidays. Official warnings against non-essential travel to key holiday hotspots have been quietly dropped in recent days, reflecting the increase in vaccination rates and a cut in cases of COVID-19. Advice against non-essential travel to the rest of Spain and Greece remains in place. Nevertheless, the sudden change in attitude towards key holiday destinations favoured by British tourists appears to bode well for chances of overseas travel this summer (travelling against the advice of the Foreign Office usually invalidates travel insurance). However, the UK Government is struggling to find a way of letting British holidaymakers prove they have been vaccinated as Downing Street admitted yesterday that the NHS app may not be ready to use as a vaccine passport for Britons heading abroad from 17 May.

## Market update

In a reflection on the changing consumer habits which have been fast tracked by lockdowns the online fashion retailer Boohoo announced a 41% increase in sales in the past year. The current share price values the business at just over £4bn, £1bn more than Marks & Spencer who, despite having revenues which are six times higher, suffered during lockdowns due to a larger proportion of the business being physical and ultimately posted a loss last year.

After a six-week momentum rally, this Tuesday (4 May) saw the largest drop in technology shares since 24 March on concerns about high valuations and the continuation of the rotation from growth to value sectors. Shares in the leading technology companies tumbled after two weeks of blockbusting earnings announcements: Apple was down 3.5%, Amazon down 2.2% and Alphabet, the owner of Google, down 1.7%. The Nasdaq-100 fell by 1.9%, although at one point during the trading day it had fallen by 4%. In London, the FTSE 100 fleetingly breached the 7,000 level before finishing the day down just over 46 points at 6,923 with European indices also affected towards the end of the trading day.

### Tune in!

Listen to our UK Head of Multi-Asset Solutions, Stefano Amato, discuss whether inflation concerns are temporary and how investment portfolios are being positioned in our latest **Market Views** [here](#).

Note: Data as at 5 May 2021.



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