2020 The Year of the Hyperbole

The year 2020 will no doubt go down in history as the year of the hyperbole. Unprecedented and extraordinary events have become every day. We learned about the R rate, missed our friends, shopped online, listened to the birdsong, and wondered when this will be over? There's no clear answer on that one, but I feel hopeful that 2021 will maybe not see the full and complete end to the CV-19 restrictions, but it is expected to at least begin to see the ending of restrictions, by the end of the year, at the latest. We hope.

As this incredible health crisis grew and persisted, so a financial crisis loomed. And yet the UK Government responded remarkably quickly and positively to the loss of income to firms and individuals alike who followed the astonishing "You must stay at home" advice. Other nations have offered similar support to their economy and populace, with varying degrees of success. The long-term cost of these measures cannot yet be assessed, but it's clear that the vast sums injected into the world economy and into the hands of its peoples will be a burden for our children and our children's children. The recovery from the banking crisis of 2008 took 10 years of austerity. Governments across the world have declared that they will resist a return to austerity policies, but the mountainous debt will need to be addressed.

Markets do not like uncertainty and 2020 has offered little else. It would be reasonable to expect your investment asset values to have fallen throughout the year. Indeed, at one point, when the "world stood still" asset values plummeted. Remarkably though, the oft criticised central banks and finance ministries acted firmly, clearly and in step. They were emphatic that the health crisis would not undermine their economies, and the investment world listened.

Institutional and professional investors are often seen as a cynical bunch, seeking profits by exploiting weaknesses and decrying the best efforts of politicians and bankers as "not enough" or "little too late". Here however, the cause of the "crisis" was not a lack of regulation, of poor economic controls, of allowing inflation to rise, of slavishly following populist agendas, here was a crisis beyond measure. With no one to blame and every reason to preserve value, investors held their breath and looked ahead, not over their shoulders. Yes, these were grim times. But would this health crisis prove fatal to the economy? No.

The present value of investment assets leads to the conclusion that the underlying assets and components that make up the world economy are essentially sound. They are not perfect, by any means, but they do work. The resilience of asset values across the global economy has, in part, facilitated the worldwide search for a vaccine. The identification of several of these, and the production and distribution of staggering volumes is evidence of both the strength of the underlying "state" and the human spirit.

2020 upset the applecart in more ways than one. In addition to the obvious, (and all too often, tragic) consequences of the virus, the governmental stimuli to businesses, the employees and self-employed, along with remote work patterns, has the potential for a long term adjustment to working practices. Mention in the media is rife concerning the potential loss in value of city centre commercial properties. This in turn offers greater profitability to employers, if they do not need to provide expensive "space" for their staff. So, the effects of 2020 will be long lasting and significant. On the whole, I feel that although I never imagined we would be where we are today, with Brexit taking a back seat, I do feel that the future is looking more positive now at the beginning of 2021, than we could have thought at the start of 2020.

Nick Butler DipFA
Butler Financial Solutions