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There is a basket of "pandemic stocks" such as the likes of Just Eat, Hopin, Peloton and Zoom etc that have increased sales and valuations at breakneck speed over the past year as consumer habits have been transformed by the pandemic. The heart of the question is whether the past year has permanently changed habits, or whether people will rush back into shops, restaurants, offices and planes as virus cases fall and freedom resumes? Part of the recent turn in sentiment against tech stocks in the US is down to the bond market. Yields are rising as investors bet that a recovery will bring inflation and higher interest rates — meaning that investors are selling bonds and fast-growing tech stocks, while buying companies most likely to benefit from an economic resurgence. Analysts say that investor focus has turned towards old-economy companies and value stocks.

We don't think that rates will rise anytime soon but we do believe that the world is recovering. Hence our purchases in 2021 of stocks like Dixons Carphone, Intel, C&C Group and financial service companies that will all benefit from increased economic activity. We believe that these trends will continue.

Another item in the news this week has been the appalling UK trade figures that were announced. These have been a topic of much conversation and we thought we'd add our two cents worth. On the face of it total exports of goods fell by £5.3 billion year on year (yoy) (19.3%) in January 2021, because of a £5.6 billion (40.7%) fall in exports to the EU. Similarly imports of goods fell by £8.9 billion (21.6%) driven by a £6.6 billion (28.8%) fall in imports from the EU. Interestingly and not well reported was that the figures for services which are a much greater part of the economy showed a much smaller fall. Services exports fell £0.2 billion (0.9%) to £18.9 billion and imports fell £0.3 billion (2.4%) to £10.7 billion.

The ONS themselves cautioned about reading too much into the figures and called them "erratic" as commentators jumped to blame Brexit trade. The head of the ONS was quoted over the weekend on the Andrew Marr show saying the biggest factor was stockpiling in Q4. Goldman's came out and said, "while suggestive of a potential Brexit drag, it is important to caution against reading too much into these data one month, Covid disruption had a lot to answer for. Global supply chain issues have caused delays in ports across many countries, so it is likely that some of January's softness in UK trade is not

Brexit-related. Covid also impacted UK trade around year-end, with temporary EU border controls, the introduction of mandatory testing for lorry drivers, and the start of the UK's third national lockdown,"

We were pleased to see the independent OECD significantly raising its forecast for UK growth for this year from 4.2% to 5.1%. They noted that. "A more gradual upturn appears likely in the major European economies, reflecting continued containment measures in the early part of 2021 and more limited fiscal support, although the acceleration of vaccine deployment should help momentum to build, particularly in the UK."

Looking through the noise we still find reasons to be cheerful about the economy and markets.

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