ARLINGTON CAPITAL

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In the psychology of investing it's much easier to be bearish than bullish, this is a trend that has extended into most forms of life over the last year! So where are we now? Most investors look to past trends to work out how to interpret the present. In past crises, especially the global financial crisis, the recovery depended on slowly building confidence over time, in order to induce companies and households to spend. This time around we're not seeing the lack of confidence that we typically see in recessions as spending by both businesses and households has bounced back quickly, more on this below. We believe that the mass distribution of vaccines is providing confidence to both consumers and businesses and that this will provide the necessary fuel for the economic recovery to continue.

The numbers released over the last couple of weeks support this view, that despite some people's bearish sentiment life's getting better. The crucial UK Services PMI for March jumped from 49.5 to 56.8 (above 50 indicates growth), much better than expectations of 51.0. The positive figures were fuelled by a rise in new orders for the first time since September as sales were boosted by the upcoming easing of lockdown measures. Manufacturing also performed well as the IHS Markit/CIPS Flash UK Composite Output Index registered 56.6 in March, up sharply from 49.6 in February. It is also the first time that service sector activity outpaced manufacturing since the start of the pandemic.

Consumers also got in on the act as the retail sector also rebounded after suffering a sharp fall in sales at the beginning of the year. Sales rose by 2.1 per cent in February, according to the Office for National Statistics, having fallen by 8.2 per cent in January, when the country went into its third lockdown.

An element of the improvement is that we've all got better at adapting to the restrictions. The falls in GDP in November and January were a fraction of what we saw in April last year. The latest rapid indicators from the Office for National Statistics (ONS), covering the period until a few days ago on everything from debit and credit card payments to traffic and job advertisements, show a continued recovery from January's lows. Indeed the Recruitment & Employment Confederation says the last two weeks of March have seen the largest number of new job adverts placed since the pandemic's start — a combined total of over 300,000.

These numbers have exceeded our expectations and we find them extremely reassuring, it's also clear that stock markets are taking notice…

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