



Dear Client

The Gloom and the Boom

As we are too well aware, Covid Delta continues to make its presence felt around the world. Unlike what we thought early last year however, when Covid first ran emerged in NZ, it hasn't killed economic growth and hasn't stopped company earnings stone dead.

A survey by the Bank of America of 258 fund managers overseeing a total of \$US839 billion in investments revealed that, while on the surface, the managers were gloomy, it also revealed they had a deep underlying bullishness. These managers include many of those who are managing your overseas investments in shares and bonds.

First the gloom: despite widespread vaccination in many developed countries, the Delta variant is still affecting many people and a new phrase, 'the pandemic of the unvaccinated' has been used to describe this phenomenon in some developed countries.

As a result, company profits and the economic outlook for many countries was predicted to fall from the 'peak boom' period around June/July this year.

Inflation has been a simmering worry too. While many manufacturers are experiencing rising prices, many are not able to pass these higher costs on to wholesalers and retailers. As a result, the survey showed that many fund managers believe that 'peak inflation' has been reached.

But now for the boom: For all this pessimism, there was a surprisingly high level of optimism still in the market.

Thanks to the continuing creep of Covid Delta, companies and Governments have now realised that the current quarter, and the next three months to December, will not be a slow but a rosy continuation of the June quarter's optimistic growth.

Fund managers remain overwhelmingly optimistic. Many have dropped share market protection designed to insure their portfolios against a sharp drop in share prices.

Central banks (the equivalent of our Reserve Bank) are expected to remain supportive of investment markets and businesses, and this includes China, which is currently stimulating growth.

What does this mean? While we live in uncertain times, largely because of Covid, the investment markets are seeing strong companies and Governments who can continue to pay dividends and make good on their bond commitments.

As always, please contact me if you want to talk about your investments or if you want your investments reviewed.

Best regards



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