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# News Release

## **UBS Asset Management outlook for 2021: Five surprises which reframe the future for investors**

- **News of highly effective vaccines may lead to a decline in the extreme levels of market volatility that we saw in 2020 and a faster-than-expected return to normal**
- **This is one of the five potential market surprises which UBS Asset Management sees in 2021**
- **Investors also must consider the need for fiscal stimulus to bridge the economy ahead of vaccine availability, increases in cybercrime, the US-China relationship and risks to market leadership**
- **Investors should diversify to find high-yielding assets that can provide a stable source of income; infrastructure is likely to be a major beneficiary of bipartisan economic stimulus**

Zurich/Basel, 24 November 2020 – UBS Asset Management today launched its year-ahead market outlook report entitled *Panorama*. After the pandemic and global recession, 2021 holds both opportunities and risks for investors as markets and sectors unevenly rebound. This has been a recession like no other with winners and losers, entrenching existing market trends, accelerating internet disruption and worsening service industry disinflation. The report recommends investors diversify in the search for income and highlights five potential market surprises which they need to consider, reframing the future.

Barry Gill, Head of Investments at UBS Asset Management, said: “While we have clearly experienced a profound recession and an accompanying bear market, it has not impacted all sectors equally. Many companies are on their knees, but some parts of the economy have actually never had it better, leading to incredible dispersion in equity returns and credit spreads. And the rebounding equity market should remind us all that stock valuation is as much about the discount rate as it is about earnings.”

Evan Brown, Head of Multi-Asset Strategy, said: “In 2021 we see the economic recovery poised to continue and become more self-sustaining as the latest medical innovations allow for the normalization of private-sector activity. However, with negative real interest rates across advanced economies, and likely to stay that way through 2021 and beyond, investors will have to work harder to generate yield.

“The appeal of opportunities in multi-asset hedge funds and alternative assets could increase in this low-yield for longer environment. Infrastructure is likely to be a prime beneficiary of global economic stimulus packages and, within the publicly-traded universe, low level of yields on developed-market sovereign means investors will have to look more global. In our view, this makes emerging market dollar-denominated debt, including Chinese government bonds, particularly compelling”, continues Evan Brown.

Looking to 2021 and beyond, UBS Asset Management has identified five potential market surprises. “The COVID-19 pandemic shocked us all and so it is worth investors considering what surprises 2021 could have in store and what this will mean for their investment decisions”, says Barry Gill.

## Five market surprises for 2021

- **The rise of cybercrime:** the virus and associated economic lockdowns have seen significant adjustments to work-from-home offices, potentially making some sectors/companies more vulnerable to disruption from a cyber-attack.
- **2021 is poised to be the year of vaccines:** highly effective and quickly distributed vaccines would likely allow a faster than expected return to normalcy while monetary stimulus stays ultra-accommodative, leading to a blow off rally in equity markets.
- **Fiscal paralysis:** despite ultra-low rates and economic need, paralysis in Washington, D.C. and reduced fiscal appetite in Europe mean a bridge to the vaccine is lacking over coming months. This could lead to a double dip in the global economy and markets.
- **Monopoly misery:** a possible tax code change and tighter regulation of big tech may prompt a major change in market leadership towards small caps.
- **A healing in US-China relations:** new US leadership sets the stage for re-engagement with China, including a reduction in tariffs and slowdown in tech export restrictions. Reduced uncertainty and an improved trade picture catalyzes a major flow shift from developed to emerging market assets.

## About UBS Asset Management

Asset Management is a large-scale asset manager with a presence in 22 markets. It offers investment capabilities and investment styles across all major traditional and alternative asset classes to institutions, wholesale intermediaries and wealth management clients around the world. It is a leading fund house in Europe, the largest mutual fund manager in Switzerland, the second largest fund of hedge funds manager and one of the largest real assets investment managers in the world.

## UBS AG

Media Relations Switzerland: +41-44-234 85 00

[www.ubs.com](http://www.ubs.com)