Dorchester Advisors
Money worked harder

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An emerging recovery – 2021 Q1 Market Review

A year ago around mid-Mar financial markets reached their low points as investors' thinking was fearful because we were dealing with a virus that threatened our health and consequences that threatened our wealth. And a year ago I wrote "that my feeling was that we would weather the (economic) storm".

Well we seem to have. Four of the five main asset classes we follow are up handsomely, only Bonds are not. Yet, I was only partially correct. "Wall Street" (i.e. financial markets) recovered all their temporary downturn and then some. But, for the economy, for Main Street – that is not so clear. Many sectors (e.g.tech) did well but service sectors (restaurants, entertainment, etc.) did not.

Now with the successful roll-out of vaccines an upbeat mood has emerged, and the sentiment is that the financial markets will continue to go ever upward (Hence speculation in SPACs Bitcoins etc). Though I hope they do, I do not share in this rampant enthusiasm. On the converse side, I do feel that the gains on Main Street will likely continue, if only because of the massive stimulus packages. It bears repeating that while the Economy and the financial markets are connected, the connection is less robust at a point in time than it appears.

For our clients, we reviewed and re-balanced their portfolios in Q1. We plan to keep them diversified across the 5 main asset classes and to rely on fundamentals and evidence-based investment strategies, and to remain cost-conscious. We think this remains a sound investment approach.

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