

Essex Pension Fund Investment Steering Committee	ISC 03
Date: 29 November 2021	

Capital Markets Outlook: Q3 2021 highlights

Report by Hymans Robertson

Enquiries to Jody Evans on 03330 138489

This Report is for noting

Executive Summary

Key highlights include:

- Mixed quarter regarding asset class returns. Global equities gave up earlier Q2 gains in September as investors contemplated easing economic momentum, continued supply chain disruptions, higher inflation, and the prospect of fading monetary support;
- UK bond yields rose, and prices fell, as upside inflation surprises led to expectations of earlier rate rises than first predicted;
- With economic momentum easing, the global economy continue to forecast growth at a healthy pace. Whilst concerns around coronavirus have subsided, as signposted in Q2, supply-side risks and China's economic slowdown intensified;
- Outlook for asset classes remains neutral to cautious given price rises in the backdrop of an uncertain economic environment; and
- Persistent higher inflation continues to remain a concern, although markets appear to have priced a return towards target levels in the medium term.

1. Purpose of Report

- 1.1 To update the ISC on recent market conditions.

2. Recommendation

- 2.1 That the Committee should note the content of the report.