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| <b>Essex Pension Fund<br/>Investment Steering<br/>Committee</b> | <b>ISC 03</b> |
| <b>Date: 23 February 2022</b>                                   |               |

## **Market Commentary: Q4 2021**

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**This Report is for noting**

### **Executive Summary**

Key highlights include:

- Improved GDP growth in Q4 albeit still below pre-Covid 19 levels;
- Despite increased volatility as economic concerns around Omicron Covid variant come to the fore strong earnings growth aided the strengthening of global equity markets resulting in positive returns in Q4;
- With the expectation of further interest rate hikes short term bond yields are expected to rise, however, long term yields remain largely unchanged;
- Property rental growth within the industrial sector continue to be growing strongly, whilst rent in the retail sector continue to fall; and
- Inflation forecasts continue to be off the mark and higher than previously forecast, but the inflationary pressures (spending, supply chain disruptions and demand) are still expected to prove transitory and to begin to decline in the second half of 2022 and into 2023.

## **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.