

## Market Perspective | 2Q 2021

# The Haves and the Have-Nots



It's a new day in many parts of the world as we emerge from an unprecedented time of fear and solitude. Thanks to widespread vaccinations and a reawakened economy, many of us are experiencing a sense of newfound freedom. Many are spending money on travel, dining out, concerts, and other social activities.

This exuberance has certainly been reflected in financial market returns. Recent equity returns are striking, and not just the absolute level of returns—which is remarkable—but the broad-based, relatively consistent level of returns across market caps, sectors, countries, and regions.

Recent market performance results contrast with what we experienced before and during the pandemic, when certain segments had strong performance while others lagged. For example, we watched 'FAANG' stocks drive performance for quite some time, as brick and mortar companies lagged.

Even though the “haves and have-nots” dynamic is not as apparent in this moment in terms of financial returns, it remains in place when comparing the real economies around the globe.

Countries that initiated significant government spending programs were better able to bridge the pre- and post-pandemic economies. People had access to monetary support during a time when service and hospitality jobs evaporated. Corporations that had access to loans were able to survive through a period of meager to no revenues. On the other hand, countries without significant financial stimulus experienced a more significant downturn.

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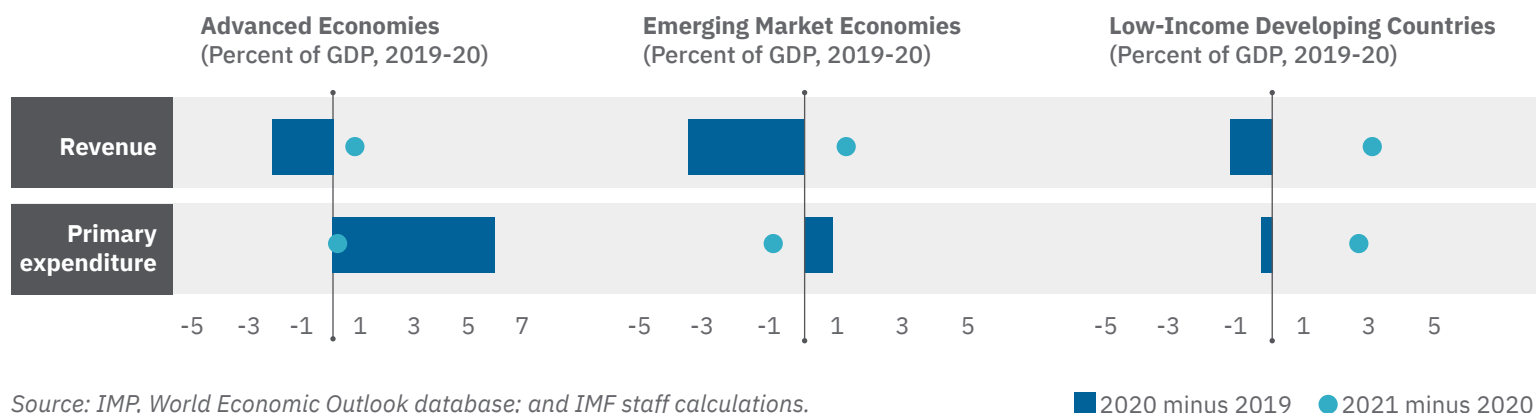
**John W. Geissinger, CFA**  
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# The Haves and the Have-Nots



## Change in General Government Expenditure and Revenue (Percent of pre-COVID-19 GDP)

*Revenues fell everywhere, whereas pandemic-related spending was higher mostly in advanced economies\**



The chart above shows that, while the level of revenues fell everywhere, the level of fiscal support was much higher in developed economies compared to others. Although low-income countries lost less revenue relative to GDP than advanced and emerging, they had a significant lack of fiscal policy initiatives.

The level of government support is not the only factor when considering the unevenness of the path forward; vaccination rates are key, too. We believe that higher vaccine rates are associated with greater potential economic growth, as they allow economies to reopen. The map on the next page illustrates the divide between countries

with a high vaccination rate and those with a low rate. It's clear that developed economies and larger emerging economies have higher vaccine rates and so are better positioned for economic recovery.

The “haves and have-nots” did not start with the pandemic and it won't end with it either. Certain countries are still suffering from the continued effects of the pandemic, overburdened healthcare systems, new variants, and with challenges that existed prior to COVID. They remain in our prayers.

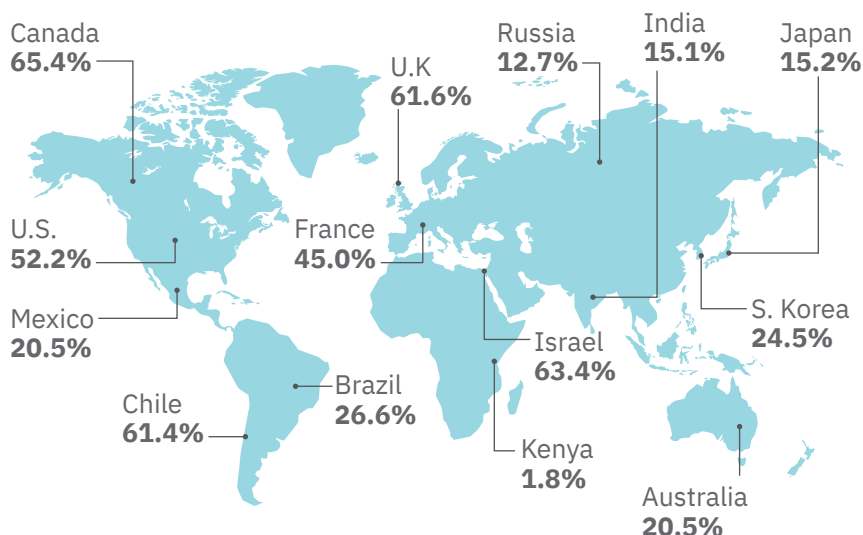
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# The Haves and the Have-Nots



## Covid-19 Global Vaccine Tracker

Share of people who have received at least one dose of Covid-19 Vaccine



LATEST DATA AVAILABLE, AS OF JUNE 15, 2021

Source: Fortune



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What’s next and what does all this mean for investors? Certain regions, like the US and Eurozone will likely grow more quickly than others depending on vaccine rates and government policies. Vaccine rates should continue to grow across the globe, which should help growth rates and government policies could start to normalize. This environment has a fair amount of uncertainty

and will likely bring with it a global economy that continues to expand at uneven rates. This unevenness of growth may be experienced at the country level and at the industry level, as the service economy lags and companies struggle with uneven supply chains.