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“There is no sun without shadow, and it is essential to know the night” - Albert Camus

At any other time, a three percent bounce during May in the pan-European (including the U.K.) equity markets and the driest fifth month of the year in large swathes of the country since 1929, would represent an ideal entry into the summer months. However - despite recent lockdown liberalisations - these are far from normal times.

Extraordinary or unprecedented times are - by definition - not the norm. We all daydream about a return to our lives - of just a few short months ago - as global citizens where going for a coffee with family and friends, jumping on a plane or undertaking a bout of shopping on a crowded High Street was a relatively run of the mill event and not a restricted activity. We can all identify elements of our lives that will permanently change, with the distress and uncertainty this brings.

Kierkegaard once observed that ‘life can only be understood backwards; but it must be lived forwards’. In the narrow confines of the investment world, whilst the fictitious Hindsight Asset Management will always be an impossibly great performer, even a sharply changing and regimeshifting world provides opportunities. We all know that the financial markets and all related investment routines around them are driven by a range of relevant drivers. Some of these are eminently quantifiable, dry and rooted in real world realities. Others draw on both the positive attributes and limiting flaws of human psychology. This is what makes the financial markets equally compelling and frustrating.

Let us examine the evidence as summer starts to fully blossom. Naturally a huge amount remains to be done. Healthcare concerns will remain uppermost in everyone’s minds until at least next spring, but the lack of a second wave so far is a positive, even as liberalisation routines mature. Certainly the progress of economies in Asia - such as China - provides some hope for western economies, which in April and May are likely to have been at the

nadir of both their economic contraction and corporate earnings cycles.

Policy stimulus efforts by both central banks and governments remain material in both size and scope. Nothing is without a trade off, but such actions have provided some hope about the future - and hence why financial markets have looked through the gloom.

Looking ahead, policy emphasis should try to shift from big sweeping headlines around support packages and interest rates, to ensuring the right microeconomic incentives are there to liberate and inspire the job and wealth creators in the economy. As always, at times of a regime shift in many other ways, it is the detail that really matters. The countries - and economies - that can crack this challenge better than others are those that will ride out the rest of the 2020s better.

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And financial markets over the summer? No doubt at times both compelling and frustrating but overall - assuming sensible multi-asset diversification - still rewarding in my opinion.

Sentiment has improved from a couple of months ago but outside some favoured areas, most investors are still climbing a wall of worry. Expect me to worry more when the feeling of huge challenges out there has passed. In the world of the financial markets it is always better to travel than arrive.

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