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Investor / Saver

Mini-bond holders to receive 80% of initial investment

The government-funded scheme will provide 80% of LCF bondholders' initial investment up to a maximum of £68,000 and will be available to all LCF bondholders who have not already received compensation from the Financial Services Compensation Scheme (FSCS). John Glen, Economic Secretary to the Treasury, said: "It is an important point of principle that government does not step in to pay compensation in respect of failed financial services firms that fall outside the FSCS. However, the situation regarding LCF is unique and exceptional." He added that LCF's business model had been "highly unusual", given that it was regulated by the Financial Conduct Authority (FCA) "despite receiving no income from regulated activities", allowing it to sell unregulated mini-bonds to investors. LCF fell into administration in January 2019, after collecting £237m from 11,600 investors. Last year, the FSCS made the decision to award compensation to only a fifth of customers after it ruled that LCF had offered mini-bonds on a non-advised basis. The government's compensation scheme represents 80% of the compensation LCF customers would have received had they been eligible for FSCS protection. Glen said that "regulatory failings", while not the primary cause of investor losses, were a factor in the government's decision to launch the LCF Compensation Scheme. The government said that any mini-bond holders who have received interest payments from LCF or distributions from the administrators, Smith & Williamson, will have these deducted from the amount of compensation payable. It has told bondholders that further information about how the scheme will operate will be published in due course but that, in the meantime, all bondholders should "be vigilant to the risk of scammers posing as services to help them claim".

Investor / Saver / Retired

Early retirement options post-pandemic

Nearly a year on since the UK went into its first Covid-19 lockdown, how have clients' retirement plans been affected by the pandemic, and what sort of advice will they need in the months and years ahead? Latest statistics from the Office for National Statistics (ONS), combined with a study from provider LV, have suggested thousands of people aged 55 and above have been leaving the full-time workforce since the coronavirus crisis began. But while they are bringing forward their retirement, other plans they had been making for the first few years of retirement have had to be pushed back thanks to the pandemic. With early retirement, the world of work and its associated stresses may be behind you - but it is a big financial decision that will mean more than simply putting some plans on hold, as commentators have warned. Latest figures from the ONS have revealed a rise in the numbers of older people leaving the workforce, marking a reversal of the trend for more older people to remain in employment after 65. In January, the ONS figures showed:

- Since February 2020, the number of payroll employees has fallen by 828,000.
- The claimant count increased slightly in December 2020, to 2.6m; according to the ONS, this includes both those working with low income or hours and those who are not working.
- Its labour market figures for the three months to November 2020 also found the biggest drop in unemployment after 65 was among women.
- The fall was approximately 11% – equating to 71,000 women – and the largest drop for any age group aged 18 and over.

This suggests that rather than continuing to seek jobs, women are more likely than men to slip into retirement with whatever pension savings they have. As the ONS issued its statistics, life and pensions provider LV published the results of its quarterly Wealth and Wellbeing Monitor, which is a study of 4,000 UK adults. Its findings have indicated that more than 154,000 people aged 55-64 have opted for early retirement because of redundancy and reduced income, a desire to reduce their risk of exposure to Covid-19 or the pandemic has made them reassess their priorities in life. The LV research (among those who were still working at the start of 2020) revealed:

- 3% (154,000) of those aged 55-64 have taken early retirement due to Covid.
- 6% (313,000) of those aged 55-64 say they will retire later than planned to save more for retirement.
- 4% (211,000) people aged 55-64 have accessed some of their pensions savings to supplement their income because they have been made redundant or their earnings are reduced.

Moreover, the vast majority of those surveyed have not researched how much they might need to live on in retirement, while few have checked the value of their pension pots in the past year, the study found.

Investor / Saver / Property Owner

The great property bubble

Forget equities, says experts, the real post-pandemic action has been in property. This larger and slower-moving market is still the place where most wealth is to be found. Even in America, a land of compulsive stockmarket investors, real-estate wealth amounts to $44,349 per adult, compared with $34,008 in stocks and bonds, according to Credit Suisse. Property prices plunged globally after the 2007 financial crisis, but this time round, banks are in much ruder health and more willing to lend. Prices are up in almost every wealthy country over the past year. In New Zealand they surged by 21.5% in the year to February. It's been a year since the housing market closed as the pandemic took hold. For a short period you could snap up multimillion-pound central London property at a 25% discount as sellers panicked. Yet by the summer the stamp-duty holiday was driving a new boom that has continued ever since. Sales outpaced supply at the fastest rate in 14 years in February, says the Royal Institution of Chartered Surveyors. Global superstar cities such as London and New York were the big property winners of the past decade, says The Economist. No longer. Prices in Manhattan fell by 4% last year. In what US property website Zillow dubs the "great reshuffling", prices are now rising fastest in suburbs within commuting distances of big cities but offering more space. If remote-working endures post-Covid-19, then that trend will not fully reverse.

All

The spectre of inflation becomes a reality

UK inflation jumped in March, driven by the higher cost of petrol and clothes in a signal that prices are moving to an upward trajectory as the economy recovers from the coronavirus pandemic. The ONS said the consumer prices index rose to 0.7% last month, up from 0.4% in February. The increase was slightly below the 0.8% forecast by City economists. However, the cost of food fell back on the year, as some staples such as bread, cereals and chocolate biscuits were cheaper than at the start of the pandemic. Economists expect inflation to rise further after lockdown amid a burst of pent-up demand for goods and services, fuelled by £180bn in additional savings built up by mainly wealthier households while large parts of the economy were closed. Andy Haldane, the Bank of England's outgoing chief economist, has likened the risks from inflation to a "tiger" that could be easily roused, raising the prospect of higher interest rates from the central bank. To keep inflation low and stable, the government set Threadneedle Street a target to steer inflation to 2%. The Bank forecasts inflation will reach 1.9% by the end of 2021. However, many economists expect it will exceed the 2% target before then. Supply pressures linked to disruption to global trade – caused by Covid-19 restrictions and Brexit – are also expected to push up inflation, as well as the increase in Ofgem's energy price cap in April, rising oil prices and the end of the government's VAT cut for hospitality and tourism.

Investor / Saver

Property investment 2021

It is safe to say that there will seldom be another year like 2020. It seemed like there was be no end to the unprecedented developments that caught businesses, consumers, and investors completely off guard. Of course, the primary instigator of said uncertainty was the Covid-19 pandemic; an ongoing crisis that governments worldwide continue to tackle. A few weeks into 2021, however, and it seemed as though we may soon be entering the period of post-Covid-19 recovery. As the UK prepares to come out from under strict lockdown, the rollout of the AstraZeneca/Oxford and Pfizer/Biotech vaccines signifies the beginning of a transition back to normality. But how should investors be preparing for the "new normal"? Which asset classes are set for impressive performances over the coming 12 months, and which may struggle to adapt to the post-Covid-19 era? Commentators and investment advisors remain divided on the answers to these questions. What is key, however, is how the British real estate market will perform in 2021. As numerous assets struggled to handle the unprecedented uncertainty imbued into the markets due to Covid-19, British property was able to easily hold its value; and even post record gains. In November 2020 the average price of a residential property in the UK experienced its highest level of growth seen since 2015, according to Nationwide signifying a marked end to the previous four years of property price stagnation. Again, according to the building society annual house price growth rebounded to 6.9% from 6.4% in January 2021, prices were up 0.7% month-on-month, more than erasing the small decline seen in January. So, looking ahead, can the UK property market maintain this momentum? Can investors look forward to another year of gains for British property owners? Or could future unforeseen developments knock the industry off course, reversing the gains seen last year? Experts believe that there is a strong chance that 2021 may even surpass 2020 in positive property sector growth. After the current lockdown passes, they are confident that the high levels of activity seen last year will continue; further increasing the average price of UK property. In December, Rightmove predicted house price growth of 4% over the coming 12 months, citing the knock-on effects of lockdown as a motivator for prospective buyers. Having spent the majority of last year home-bound, they claim, UK homeowners will be desperate to move home to larger lodgings; a trend that Rightmove believes will easily offset any negative market developments. It is difficult to imagine that any negative repercussions of the UK's EU departure will seriously deter investment into British real estate to any measurable extent, at least in the short to medium term.

Property Owner

Bounce back optimism for investors

Investors searching for stronger returns post-Brexit are increasingly zooming in on the Far East, with Japan and China currently being the most attractive markets for UK investors. According to new data from City-based bank and brokerage firm Charles Schwab, around 68% of investors in a recent survey consider Japan as a good investment destination. In comparison, the pan-European Stoxx 600 increased 18% during the same period, while the S&P 500 climbed just under 18% since October of last year. This shift to investing beyond Europe is borne out across the research. As British investors also view China as a significantly more attractive country for investment compared to a year ago. Charles Schwab found that China has seen the biggest rise in attractiveness, now appealing to 60% of investors, a jump of 15% since May 2020. Moreover, the U.S. has also become a more popular investment location. 67% of British investors consider it to be a more attractive market after November's presidential election. As a result, nearly one in five investors said they had invested more in the U.S. over the last three months. Faced with sluggish recoveries in UK and European markets, British investors are going global, turning to Japan, China and the US for higher returns. More than half of UK investors, or 53%, are optimistic about the outlook for global markets in the next 18 months. This represents an eight percentage-point increase compared to May of last year, Charles Schwab found. In addition, almost half of investors have seen an increase in the value of their investments in the last three months. Again, this represents an improvement from May 2020 when just 29% had seen a rise in the value of their investments. Commentators believe we are seeing British investors becoming more bullish as the performance of their portfolios improves. The combination of a strong bounce back in the Far East coupled with confidence in the Biden administration positions these markets as the Big Three outside of the UK for investors.

Property Owner

Mortgage wars

A mortgage price war could be in the offing as banks flood the market with fresh deals. Hinckley & Rugby Building Society launched a two-year discount variable mortgage at 0.99%, the first sub-1% rate in a year. Meanwhile, a raft of state-backed 95% mortgages have gone live, Nationwide is boosting the amount first-time buyers can borrow and Santander is relaxing criteria for the self-employed. Experts say the surge in offers is a vote of confidence in the housing market and economy as the UK emerges from lockdown. Commentators believe it is pitching for a competitive, high-quality, low-LTV clientele that lenders like to have on their books to lower the overall risk of their lending proposition. Most lenders are returning to the 95% mortgage market with rates of around 4%, but competition will likely drive this down. This in turn will lead to lower rates on lower LTV products. This is because if there is little difference between the rate on a 90% and 95% mortgage, for example, borrowers will simply plump for the higher LTV offer to get a bigger deposit. But all eyes will be on whether lenders start bringing back rates below 1% on fixed-rate mortgages. The best fixed rate is being offered by Platform - at 1.06% for borrowers with at least a 40% deposit. Mortgage availability has improved in the first three months of the year but is expected to rise further thanks to a reduction in mortgage rates, an increase in high LTV mortgages and an easing of credit criteria. There are now 110 deals that offer 95% mortgages available to borrowers, including 38 under the government guarantee scheme. In January 2020, there were 313 first-time buyer mortgages available for those with a 5% deposit, but by June, these had all been pulled amid economic uncertainty. Now, the cheapest 95% five-year fix is at 3.45% with Barclays Springboard. Among the deals that are part of the government guarantee, Halifax is offering the lowest rate with a two-year fix at 3.73%, although it comes with a £999 fee. Natwest is offering 3.9% with no fee. Although there have been a few products that have been briefly available during the pandemic, this is the first time we have seen mainstream lenders in the high LTV market in nearly a year. The new government backed mortgages are very competitive if you want a two-year fixed deal.

Investor / Saver

Semiconductor stocks set to gain from microchip shortage

The COVID-19 pandemic has brought about a rapid shift to digitization, accelerating the demand for various products and devices dependent on chips for their functioning. As people were forced to stay and work from home to curb the spread of the virus, it led to increased demand for PCs, smart phones and so on. Moreover, as places of entertainment were shut, people also had to rely on at-home entertainment options and in turn, sales of gaming hardware and consoles increased. Meanwhile, over the years, the automotive sector has also evolved to include more electronic components in vehicles that rely on semiconductors. Markedly, following a dip in sales last year due to the pandemic, auto sales are also looking to make a comeback this year with the IHS Markit predicting global light vehicle sales to increase 9% in 2021. However, such increased demand for chips along with the pandemic constraining supply chains and manufacturing, has led to a global shortage of semiconductors in recent times. Notably, a MarketWatch article stated that analysts expect this shortage to last at least through the end of the year. Nonetheless, this ongoing shortage of chips is sure to prove beneficial for the semiconductor market. In fact, the International Data Corporation ("IDC") predicted that the global semiconductor market is expected to increase 7.7% in 2021 and reach $476 billion, following an increase of 5.4% in 2020. Notably, IDC stated in the report that factors like the availability of COVID-19 vaccines along with the reopening and gradual recovery of economies will also provide the necessary boost to the semiconductor market this year. Markedly, IDC estimated mobile phone semiconductor revenues to grow 11.4% in 2021 to reach $128 billion while non-memory automotive semiconductor revenues are estimated to grow 12.6%. Meanwhile, adding further fuel to the demand for semiconductors, the global gaming market is set to increase at a CAGR of 10.5% from 2021 to 2026, per a report by Mordor Intelligence. Reflective of the positive estimates, semiconductors have already started 2021 on a positive note. According to a report by the Semiconductor Industry Association, global semiconductor industry sales for January 2021 were $40 billion, witnessing an increase of 13.2% year-over-year. Moreover, the PHLX Semiconductor Index (SOX) has already gained 8.9% year to date, highlighting this rising demand for semiconductors.

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