A first month rarely says everything about a full year

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"Feeling a little blue in January is normal" - Marilu Henner

The first month of a new year ended as a disappointment for the average U.K. investor, especially as a contrast to the widespread excitable returns seen in the last two months of 2020. However, the month of January alone rarely gives us every answer and the unique nature of both the U.K. market alone and collectively the entire world has a wide range of potential outcomes.

January saw a number of distressing Covid-19 updates in many countries around the world. Better news was sourced from the rapid expansion of vaccine applications, including in the U.K. which albeit - by the end of the month - were inducing production disagreements by the European Union. Nevertheless, the accelerated movement around many global nations is improving and implies scope for the global economy to grow this year. Whilst headlines within the U.K. and the European Union retain plenty of alternative angles about 2021 economic growth, job creation and day-to-day movement realities, both governments and central banks remain in deep stimulus modes. Whilst sharply increasing debt rates and potentially rising inflation levels offer their challenges for later this year, progress against Covid-19 realities still has a lot of scope to move first. And the same applies for any fears concerning impacts from the U.K. and the European Union now applying late December's actual Brexit deal. What really matters over upcoming months is a Covid-19 improvement.

Whilst the most covered story in America focused on the change of President, investors may have observed the revival of two bouts of building optimism. The increase in anticipated U.S. growth rates by the International Monetary Fund during the month reflected a hope that their own rapid Covid-19 vaccine efforts along with efforts to heighten government economic stimulus efforts. Meanwhile elsewhere, specific parts of the U.S. stock market saw a rapidly heightened level of excitement, which has raised a number of questions about unusual financial market shifts. As with the U.K. and Europe, a return back to November and December's interests in recovering sectors in 2021 remains a more plausible split.

Gains were also seen in a number of leading Asian financial markets such as China and Hong Kong during January. The earlier Covid-19 challenges in China allowed the world's largest developing economy (along with near neighbour Taiwan) to continue growing in 2020. Expectations for 2021 remain even more positive.

Whilst allocations by global investors are unsurprisingly overweight versus even the norm of the last five years, allocations to the U.K., Europe, the U.S. and Japan were reported in January as being much closer to historic norms.

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Such numbers were, however, sourced from surveys in early January and for me - especially thinking about U.K. allocations - were justified by some short-term market realities and even an actual Brexit deal. An average for the last five years has been a period when any investor from around the world has found plenty of alternatives to allocating to the U.K. market or even the Pound. Whilst some investors may have concluded that January signalled a need to take profits, opportunities for 2021 can be found. After all, a first month rarely says everything about a full year.

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