



# Quarterly Market Analysis – Q4 2021

23rd December 2021

## Introduction

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What a year to be wrapping up, after the turmoil of 2020 with the shock of a world pandemic, 2021 has been a year of hope and resilience with the world's recovery taking place. Albeit with a strong fiscal helping hand from world governments, with stimulus packages that would have been applauded by Keynes and brought tears to Friedman.

Medical Research did an astounding job at developing effective vaccines for Covid-19, allowing the world to re-open (at the time of writing), and saving millions of lives. When Trump gave 'ridiculous' timelines of 3-months and the experts said 12-months, his gung-ho (if often uneducated) approach was for once ratified in the real world.

The new president in the U.S. promised unity for its people, whilst the losing candidate's supporters stormed the U.S. Capitol building in January. The U.K., the US, and their allies retreated from Afghanistan after 20 years of fighting, leading to the Taliban's seizure of power and new government. An all too predictable outcome that a binge on watching Homeland could have revealed.

For sport fans it was an exciting year, England's football team reached its first major final in 55 years and predictably lost. As a big football fan, I was fortunate to attend the Euro Finals in London, and it was a day of both pride and humiliation. The young team's achievements caught the nation's hearts, while the racist slurs and hooligan like behaviour, took us back some decades. For most EU nationals, a sense of justice was done for the UK's barbaric Brexit, with the trophy going home with Italy.

While racism and hooliganism cannot be condoned, it raises significant questions on the social health of our economies. It, too, raises further questions over the ethics of our social media power brokers (yes, you Mark Z), who claim not to have systems to detect racism, while offering tools to accurately 'sway' global elections through sophisticated profiling. It will take more than a name change for Meta so clean up its act.

All in all, it has been a good year though and a return to some sort of normality, which at the time writing is taking yet another twist with Omicron threatening to cancel Christmas.

## 2021 Global Outlook

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2021 led the global economic recovery following the fallout of the 2020 Global Pandemic. Some countries bounced back better than others, with some having more localized issues caused by the Covid-19 Pandemic than others. One complicated issue has been the volatile inflation due to uneven opening around the globe, causing labour shortages and supply issues.

Advanced economies have performed on the whole better than emerging economies, with the U.S. as a stand-out performer. Consumers Confidence in the US has remained high despite the increase in COVID-19 cases, even with Omicron cases and higher inflation.

Asia-Pacific recovery of late has been stumped by covid related policies. While the region was highly successful in the early stages of the pandemic, it has been slow to vaccinate its populations, the opening of borders and mobility are only now returning to the region.

China has continued with its strong stance on COVID and has enforced local lockdowns in the country to control those areas. The downside of these sporadic lockdowns is that it has weakened consumer confidence, reducing spending and growth. Moreover, China's government's focus on self-sufficiency, financial discipline, and larger state government may affect the country's productivity and trend growth.

China's recent attacks on technology, Cryptocurrency is a stark warning even for China's biggest advocates that it is an extremely unstable environment to invest or conduct business. If Jack Ma can go missing for 3-months, there is little hope for others in an economy which seems to capitulate every time it is on the brink of greatness. As greatness typically means moving away from traditional institutions to market economies.

India has been one of the hardest-hit countries, experiencing higher rates of contagion and inflation. While exports are still high for the Asia-Pacific region they are starting to plateau in growth, the pandemic-led shift in global demand for goods rather than services has helped the region. However, supply bottlenecks are delaying production, but demand remains strong.

As emerging markets relieve restrictions, consumer confidence is picking up. Emerging markets such as Russia, Poland, Indonesia, Chile, and Brazil GDP is close to or above pre-pandemic levels. As Europe and the U.S. keep a watchful satellite eye on the Russian/Ukraine border over their Christmas dinner.

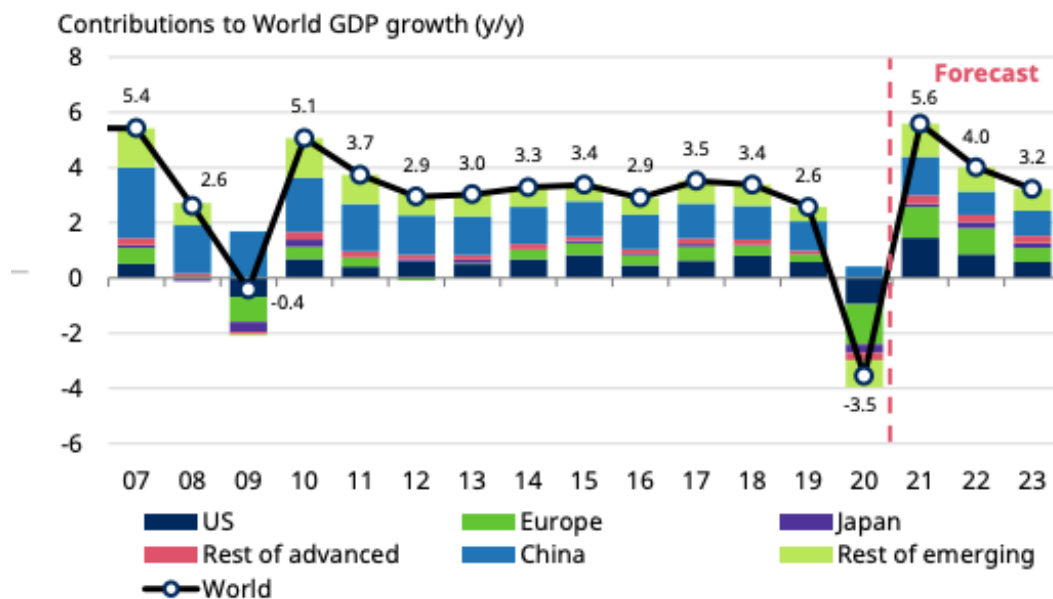
## 2022 Global Predictions

There are many uncertainties in the global economy with the Omicron variant, geopolitical, supply chain, and inflationary pressures.

There are concerns that the rise in inflation may be a medium-term problem if new variants of Covid lead to persistent shutdowns in factories and bottlenecks at ports. Consumer goods have also experienced a sharp increase in prices, primarily as a result of the US stimulus package starting in March that created surplus goods demand. There is a change in stance from central banks, that inflation is no longer transitory and the scale and longevity of inflation will be greater than initially anticipated.

As a result of supply led disruptions, Fitch Ratings have lowered their global GDP growth for 2021 by 0.3% from their September Global Economic Outlook to 5.7%. Forecasts for 2022 have similarly been reduced from 4.4% down to 4.2%, they state this reflects a slowdown in China.

Despite major banks changing stance on interest rates and open market operations, it is unlikely these policy changes will have a significant impact on inflation in the short term as supply issues still loom.



# US Quarterly Market Update

## A Sprint Start Followed By a Slowing Finish (Q4)

US markets continued to be a bull market in October and for most of November. The S&P rose steadily since October 1st reaching a new high on 22nd November 2021 of \$4743.83 per share rising by 9%. Earning releases in October were generally strong, which drove the majority of price increases. The Consumer Discretionary and Energy sector in particular performed well.

However, Apple and Amazon and other big tech stocks brought some disappointment. Apple, whilst outperforming its market expectations with sales up 36%, news of a supply constraint regarding computer chips means the companies sales of iPhones and iPads could be affected in the next quarter. Amazon missed sales and profits expectations, a 15% quarterly growth in Revenue was considerably lower than the 37% growth in the previous period last year.

At the end of November global news of the Omicron variant and rising hospitalisation in parts of Europe led to market pessimism and by December 1st from its peak the S&P500 had fallen by 4.9%, Bond Yields fell (meaning prices rose) as investors looked for lower-risk returns from government-secured debt. Commodities saw a significant fall, especially oil prices, among worries the new variant could result in reduced demand.

The three-month return for the S&P500 is 4.23% (Market Watch, 19th December).



## US Employment

US Job growth slowed over the quarter; however, unemployment fell to the lowest level since the pandemic began. The unemployment rate fell significantly in November by 0.4% to 4.2% (US Department of Labour).

Wages have been increasing among the labour shortage faced in the US. Average hourly earnings rose by 0.3% over the last month in November, annualized the US wages rose on average by 4.8% (US Department of Labour).

## US Growth

Housing starts have boomed in November, in the latest release on the 16th December. New construction of homes of a seasonally adjusted rate of 1.68 million, which is a 12% increase from the previous month, compared to November 2020 which was up 8% from the previous month.

Housing starts are one of the key leading indicators for economic growth in the US, house purchases have a multiplying effect by the demand related to new homes. This is a good sign for the continuing recovery of the economy.

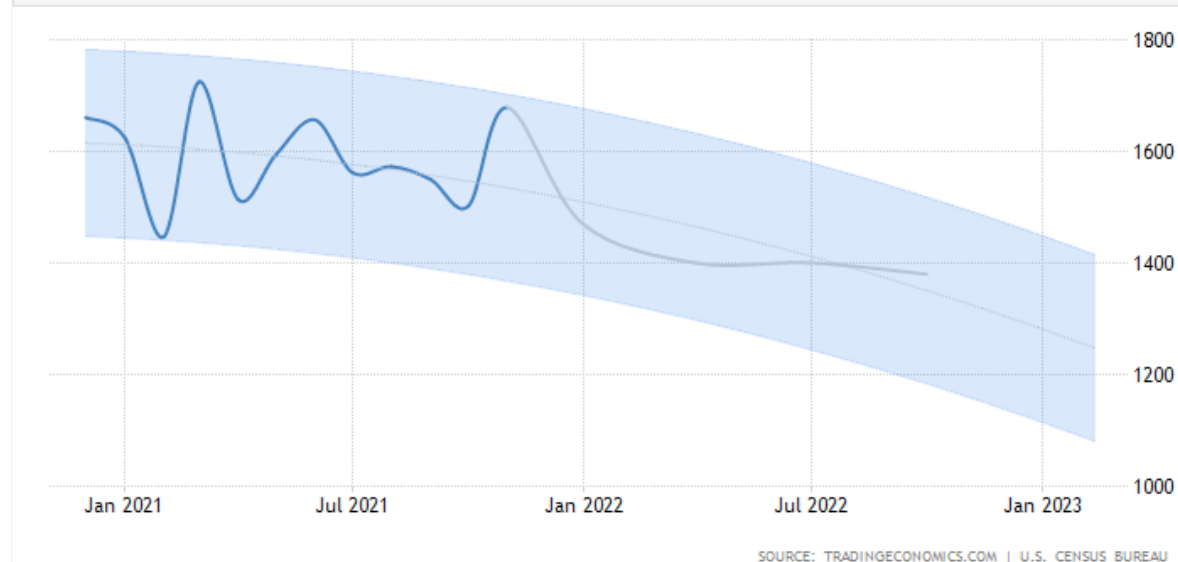
US real GDP is now forecasted to be 6.5% in Q4 2021 vs 2.1% in Q3 2021, making total annual growth for 2021 5.6%. For 2022, the forecast is for 3.5%. This represents an upgrade in Q4 2021, but a downgrade in 2022's forecasted growth (The Conference Board).

New applications for US employment benefits have risen by 18,000 to 206,00 in mid-December, which is still extremely low. Just two weeks ago, new jobless claims were at all-time lows since 1969. Businesses are trying to avoid lay-offs due to major labour shortages, making it hard to fill open job roles.

### United States Housing Starts

Summary Calendar Forecast Stats Download Alerts

1Y 5Y 10Y 25Y MAX Chart Compare Export API Embed



# UK Quarterly Market Update

UK markets performed well in October, which was driven forward by strong earning releases. Banks in particular performed very well. The FTSE 100 grew by 5.08% from 1st October to November 11th, then on the 26th November with news of Omicron we saw a sharp sell-off.

UK equities fell similarly to other major markets over November. Cyclical areas of the economy underperformed, such as the energy and financial sectors. Sectors dependent on the relaxation of restrictions has performed especially poorly, such as leisure and travel, (airlines, hotels) in particular with border restrictions being introduced as a response to the Omicron variant. Over the last three months, there has been a 4.4% return on the FTSE 100 to the 17th December.

## FTSE 100: PERFORMANCE

**7,294.02**

↓ -3.39 (-0.05%)

Day high  
7,305.80

Day low  
7,273.45

FTSE 100 delayed by at least 15 minutes

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## UK Employment

UK unemployment falls despite the end of the furlough scheme, with the jobless rate falling to 4.2% over the three months to the end of October. The employment rate rose to 75.5% in the three months to October, up 0.2% from the previous quarter. In November, there was an increase of 257,000 workers on company payrolls, the largest rise since 2014. Vacancies continued to rise with major labour shortages to a record high of 1.2m despite slowdown in growth (ONS figures).

## UK Growth

Economists have lowered their expectations for Q4 2021 following the emergence of the Omicron variant. Most economists have UK GDP growth for 2021 between 6.7-7.1% (KPMG, S&P Global, PWC), which is similar to pre-pandemic levels. We can then expect a slowdown of growth in 2022 to around 4.2% and a further slow to 2.2% in 2023 (KPMG). Presently, 2022's GDP growth is variable dependent on the covid policy that we can expect in early 2022 if there is a full-scale lockdown, obviously it will have to be watered down slightly.

## UK & US Interest Hikes

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### The BoE Increases the Base Rate Among Inflation Concerns

On the 16th December 2021, the Bank of England's Monetary Policy Committee (MPC) decided to raise the base rate for the first time in three years. It marks the first major central bank to raise interest rates since the onset of the pandemic. The base rate was increased from the historic low of 0.1% up to 0.25%.



BANK OF ENGLAND

As we discussed in our last quarterly report, it was only a matter of time before the BoE decided to act on raising interest rates. Their decision was forced by escalating concerns for inflation, which is currently at the highest level it has been for a decade, with BoE's expectation for inflation to reach 6% in April 2022.

The current headline rate for inflation is 5.1% from ONS figures, the Chief Economist Grant Fitzner comments 'the price of fuel increased notably, pushing average petrol prices higher than we have seen before' as well as commenting 'clothing, food, second-hand cars and tobacco duty' have all helped drive up inflation in December.

The CJ Team certainly felt the effects of inflation on their recent after-work drinks last Friday at Home House in London, which was categorically signed off as not a Christmas party! This point was proved by the fact that it was strictly Gin only no cheese or wine, unlike some Government parties (I mean work meetings, of course!). Jonathan was yet again the last man standing, fortunately it was a Friday!

The BoE is usually conservative in introducing interest rate increases unless the economy is in a strong state. It highlights that BoE have serious concerns for inflation as the full economic implications of Omicron have not been realised. Currently, the UK economic outlook is looking worse for the end of 2021 with parts of the economy such as hospitality being hit hard by cancellations and a reduction in footfall impacting retail shops.

On a more positive note, following the rise in the interest rate, the pound rose sharply on the global currency market on the 16th of December, which is good news for our international clients who are holding their investments in GBP currently.

### US Fed Rate - Plans for Interest Hikes

The Federal Reserve announced on Wednesday the 15th, it would end its pandemic Bond Purchasing program in March and plans to make three quarter-percentage interest hikes by the end of 2022. Its rationale is that the economy is reaching full employment and the extended surge in inflation.





## Omicron Variant Summary

On the 26th November 2021, WHO(World Health Organisation) classed the variant B.1.1.529 as a variant of concern, named Omicron. The information available at the moment is not clear on how severe this strain is compared to the most recently dominant strain, Delta.

According to the ECDC (European Centre for Disease Prevention and Control) the threat of further spread of the Omicron variant to the EU/EEA as 'very high'. That the Omicron variant will likely become the new dominant strain within the first two months of 2022.

Initial data indicates that the variant can spread more easily and that potentially it circumvents current immunization from vaccines or previous infections of the Delta variant. However, currently there is a low but increasing death rate from the variant, which suggest a less severe strain. Despite that, the increased rates of transmissibility will likely outweigh this factor. Therefore, it is anticipated that hospitalisation and death rates will increase higher than what was expected with the previous Delta variant.

Modelling by Imperial College London concludes that booster shots are effective against Omicron. However, as commented by Dr Clive Dix, former chair of the UK Vaccine Taskforce, this is based on a limited data set and at this stage the results cannot be 100% relied upon. He mentions "For example, we have no data on the cellular immune response which is now probably driving effectiveness of vaccines. This is a crucial missing assumption in the modelling." There is a consensus that another month of real-world data will need to be assessed before having an accurate picture.

### Coronavirus around the world



Source: Johns Hopkins University, national public health agencies, 13 Dec 

- [Imperial Report 49: Growth, population distribution, immune escape of Omicron in England](#)
- [Imperial Report 48: booster vaccines and global impact of Omicron](#)

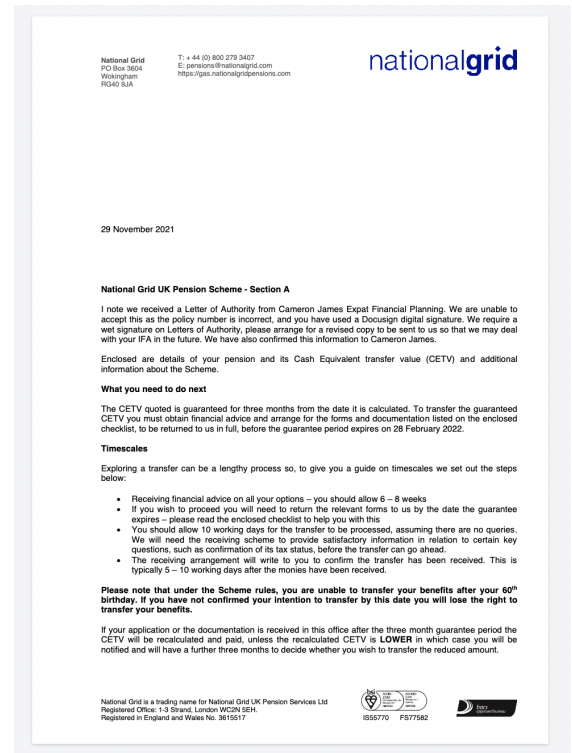


# UK Final Salary Pension Transfers

## Falling CETV values

Cash Equivalent Transfer Values (CETV) fell off the peak around the end of last quarter, whilst still relatively high we can expect them to start significantly falling as a result of the recent change in interest rates and expectation of future hikes. Firstly, inflation expectations will be reduced, which means the nominal amount owed at Normal Retirement Age (NRA) is lower as the benefits' accrual are inflation-linked. Therefore, the present-day value is lower. Secondly, as interest rates increase, the time-discounting factor increases; therefore your expected DB retirement income benefits are discounted back by a larger number, again reducing CETV values.

It is unlikely CETVs will reach peak again for the next several years, with the BoE anticipating future rises in interest rates. Therefore, if you are thinking about transferring out of your DB pension, it something you may want to do sooner rather than later.



## Rising Costs Of Final Salary Pension Transfers

The cost of DB reports has gone from £500, to £3,500 over my tenure as CEO at Cameron James. As the demand for DB transfers only increases, we expect DB Report Fees to continue on this upwards trend, as more clients wish to explore their options for exchanging their safeguarded benefits for a lump sum that they can invest themselves and pass into their beneficiaries.

This not good news for the underfunded Defined Benefit ceding schemes, with DB liabilities now reaching exceeding £1.9 trillion, compared to their DB assets of £1.7 trillion. With the DB deficit rising from £159bn to £200bn, between 2020 and 2021. Transfers out, is the last thing many of the Trustees are looking for.

The UK Government similarly has an inclination to dislikes transfers out, as these are assets that are often being moved outside the UK economy. This affects the whole ladder of tertiary services connected to the ceding schemes (accountants, lawyers, tax advisers etc).

# New DWP Restrictions On DB Transfers

The UK government is being lobbied on an almost weekly basis by UK ceding schemes, who have a monetary incentive due to the above DB deficits. As a response, the DWP's proposed Traffic Light System we discussed last quarter was brought into law on the 1st December 2021, which effectively, will take away your statutory right to transfer your DB pension without additional scrutiny. It will be at the discretion of the UK ceding scheme in the future, which is not good news for any average person.



When you started working for your company scheme 20-30 years ago, it is likely that most of you would have been under the assumption you would have control over your pension assets come retirement. This ruling from the UK Government is the latest nail in the coffin for individuals looking to transfer their Final Salary schemes into a personal pension scheme.

As the regulation and legislation increases, it can be argued that the DB Transfer Market is not a good market to be operating in. However, at Cameron James, we see this a further proof that this market will become even more specialist and a niche area we will continue to strive in.

## Pension Schemes Act 2021 - The Traffic Light system

The new transfer system is designed to put greater protection in place to prevent consumers from being scammed. This system gives trustees greater powers to slow down or block a transfer of a Defined Benefit (Final Salary) Pension, depending on the circumstances of the transfer.

As we discussed with the Financial Times, any government policies that reduce the number of clients being scammed on Final Salary transfers is duly welcomed at Cameron James. However, there is a huge danger, that a conflict of interest could exist when placing greater power and control with those Trustees who would effectively be losing the assets under management (AUM) for which they are remunerated for looking after.

We must also be fair to those Trustees who are actively trying to pay out DB schemes CETVs, as they foresee the doomed ending of DB schemes (with rising life expectancy and increased medical care) and are looking to shift these liabilities from their balance sheets before it all gets toxic.

Consultation outcome

### **Government response: The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021**

Updated 8 November 2021

## **How Does the New Legislation Affect Final Salary Transfers?**

Transfers can automatically proceed with a green light to authorised master trusts, authorised collective defined contribution schemes and public service schemes. The problem with the green list is that most clients transferring from a DB scheme wish to transfer for reasons regarding flexible drawdown and investment flexibility, which these schemes do not offer, therefore an automatic green light will apply to a small percentage of transfers.

Around 95% of our clients actually want to transfer into a SIPP solution for flexibility and investment choice. However, these are not on the green list. Therefore, it raises concerns going forward that clients will receive amber flags for opting for a SIPP transfer. This means that even household names, such as the AJ Bell SIPP, would not automatically be considered to be approved, potentially unnecessarily holding up transfers.

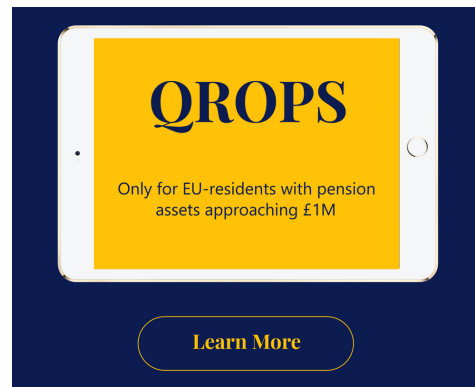
However, as noted by the TPR, trustees and providers can also maintain a 'clean list' of personal pension schemes they have reason to believe are not being used for scams. This will however likely not cover off International SIPPs which make up 0.1% of the market, but which Cameron James used frequently to service its expat clients who cannot access UK SIPPs when not a UK resident. Something we repeatedly have to educate the UK ceding schemes compliance team on a weekly basis.

- [You can find the guidance here from The Pension Regulator \(TPR\).](#)
- [Government response: The Occupational and Personal Pension Schemes \(Conditions for Transfers\) Regulations 2021](#)

## What Does it Mean for QROPS

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QROPS will similarly, and arguably more difficult to complete, due to the new check for a residency or employment link to the receiving scheme. As a member of the EEA, you can utilise QROPS residing in the EEA without facing the 25% Overseas Transfer Charge. However, the only reputable QROPS residencies in the EEA are now Malta or Gibraltar. Therefore, if you live in France and utilise a QROPS in Malta how do you prove a residency or employment link, likely this will bring up issues with the ceding scheme and again slow down the transfer process. In the current consultation, there is no real guidance on this area.



It again raises huge questions marks of the education level of those making these regulations. Will the UK government effectively block a transfer and mean a non-UK residents racks up a hefty Lifetime Allowance (LTA) charge when they could have simply used a QROPS to minimise their tax? Welcome to the madhouse, which could potentially turn litigious if the right lawyer with spare time on their hands got embroiled in one of these.

One other significant point is for those who receive an amber flag, they will be required to speak with MaPS (The Money and Pension Service) to show they have received scam-specific guidance before they can get the green light to transfer. If a client refuses to speak to the service, they will be denied by the trustees the ability to transfer. Similarly, if a client refuses to provide evidence of residency or employment links, they may be refused to transfer.

### Our Opinion

Our opinion is that whilst there will be a reduction in the number of scams, it will be outweighed by a number of negative unintended consequences on the consumer. It will mean transfer times will be longer and more stressful, many clients will need to provide more evidence and proof of a legitimate transfer and if receive an amber flag will be required to speak with the MaPS service for scam-specific guidance.

Moreover, as advisory firms will be required to jump through more hoops, undoubtedly costs will rise, clients with smaller DB's might be priced out of the market again exacerbating the inequality in the advice gap. At Cameron James, despite the increasing legislation, we have decided to keep all charges flat for Defined Benefit Pension Transfers.



## Cameron James Company Updates

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2021 has been a terrific year for Cameron James, we have continued to expand our client base now servicing clients from 27 different countries. We have brought on two new IFAs, 8 new admins and expanded our internal content team by 6 staff and our digital marketing team by 12 staff.

We saw a huge surge in leads in November, and so in response, we are in the process of hiring four new admin staff on our Asian and European time zones for the New Year who will help to further streamline our consultation process as well as help service current clients.

The US Website is still in development (feels like I have been saying that for a while) despite our eager remarks of publishing last quarter. However, beta testing has led to a revamp of the design, to improve its feel! We look forward to publishing in 2022 and ramping up business in the US, in which we now have clients in over 20 states.

In other news, we have some outstanding Blog Content that will also be released in the new year both on the UK website and the new US website, which goes into even greater detail on a broad range of topics including DB Pensions, DC Pensions, US Investment Structures and more. We look forward to sharing this with you.

## Financial Times Commentary

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### FT ADVISER

Defined Benefit October 4 2021

#### **DB transfer fees have reached 'record high', warns XPS**

But Dominic James Murray, CEO and independent financial adviser at Cameron James, said the figures were not surprising as the DB transfer advice market had become more expensive.

He said: "I would suspect the reason for this increase is the IFA firms needing to recuperate more ongoing costs in order to make the initial advice and red tape worth it.

"An average of 1.9 per cent does seem slightly high though. At Cameron James we have an average ongoing cost for DB transfers of between 1.4 to 1.5 per cent per annum. With around 0.2 per cent going to AJ Bell or Fidelity as platform costs, around 0.2-0.3 per cent for portfolio costs and 1 per cent IFA annual fee."



## FT ADVISER

Defined Benefit October 4 2021

### DB transfer fees have reached 'record high', warns XPS



EPA/Andy Rain The FCA has stepped up its enforcement of pension advice after the British Steel debacle

Dominic James Murray, chief executive and independent financial adviser at Cameron James said: “The increased investigation figures, may be as a result of the FCA taking a sharper view, of what they deem to be suitable or unsuitable.

“Even two years ago, what was deemed as suitable, would now

possibly be deemed as unsuitable. We are increasingly declining a larger number of DB pension transfers each year, following the FCA and TPR guidelines.”

He added: “Initially, there was certainly not enough oversight in the DB pension transfer market, which led to a number of unsuitable transfers and litigations situations.

“Any client who was advised to transfer their final salary pension when it was not suitable, is one client too many. As such, we always support the FCA in the work they are doing.”



## YouTube Channel Update

The YouTube Channel has been our marketing highlight of the last quarter, with many new client enquiries referring to our channel. Many of which have been to UK clients interested in Final Salary Transfers. The channel has now grown to 350 subscribers. You can expect new content to be released roughly twice a week in the upcoming year.



We feel this has been a great educational tool for clients, many of which prefer easy-to-understand verbal and visual summaries. It also gives clients insight into topics they may not have even thought to ask about on our calls, leading to many more interesting and in-depth conversations with topics such as LTA tax, QROP transfers, and more.

Furthermore, we frequently receive messages from people stating how helpful they found our channel and that in fact we have helped them realise that a Defined Benefit Pension Transfer, is not the correct option for them to explore. While we are in the business of transferring pensions, this feedback tells us we are doing the right job and helping people make smarter financial decisions.

To end off 2021 our CEO Dominic James Murray delivers a personal summary of the year and what you can expect in the future from CJ which you can view below on our [YouTube channel](#). Don't forget to subscribe to the channel if not already!



 **Subscribe**



## Discounts in 2022

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Yes, you read that right. If you have read to the end of our Quarterly Market update, then you deserve this read this section! You will be delighted to hear, we will be introducing a discount process for all our current and prospective clients. Our business thrives on referrals. You the clients know better than anyone, the high-quality service you receive from Cameron James and with your help, we can pass this message to friends, family, and co-workers who may be in a similar situation to yourselves.

Therefore, we will be offering all existing clients a 0.10% discount on your ongoing fees for every client referral that signs up with Cameron James through our Referral Programme. This will be limited to a maximum of three referrals in Q1 2022, but if successful, this pilot scheme may be rolled out on an unlimited basis in 2022.

While I am always saying there is no 'free lunch' in financial services, the above programme and discount is obviously because we will be taking on new assets under management, and thus able to broaden our client base and increase total revenue, while also helping our existing clients attain lower costs.

We are also taking a change with our marketing budget and pulling back from paid advertisement and instead funnelling these resources into this pending Referral Programme.

We will have a formal process in place with an easy-to-use online referral system, which we aim to launch this in early 2022. However, in the meantime, if you do have any referrals don't hesitate to reach out to me or your IFA, and we will extend the same discount conditions.

As your CEO, I am here as always should you need anything, and you can reach out to me any time via my email or mobile.

Wishing you all a Merry Christmas and a Happy New year

**Dominic James Murray**

CEO & Founder  
Cameron James

