

Review of 2021



As 2021 approaches its close, it is that time of the year when I jot down some of the more notable investment items of the last twelve months.

One of the things that makes investing interesting is that it is constantly evolving. The year 2021 was no different, with plenty of new developments that seem likely to change the course of investing going forward. Here are some of my thoughts about the economic, social and financial developments that have changed investing in 2021.

The Short Squeeze and Meme Stocks



You couldn't turn on the financial news in February 2021 without hearing about rampant trading in so-called "meme stocks." Meme stocks are loosely defined, but their most common characteristics include large short positions, particularly by institutions, and targeted online chatter by groups of traders looking to make a quick profit.

GameStop and AMC Entertainment are just two examples of the confrontations between short position holders, mainly hedge funds, and the 'social media' squeezers, in this case, Redditt group long-traders.

Influence of Social Media

2021 has seen the pronounced influence of social media on investing. In the early days of the stock market, only insiders had information. Eventually, newspapers and stockbrokers were the primary sources of information for investors, followed by investment pundits and the financial media.

Nowadays, there is seemingly no limit on the number of sources of information for stock traders and investors alike. In 2021, internet message boards have been buzzing with all the latest tips for individual investors.

This was particularly aimed at young investors in cryptocurrencies and supported by some of the trading platforms. This prompted me to write about the need for caution, in May.

Stay-at-Home Investments

The coronavirus pandemic brought so many changes to the global economy in 2020 and this continued into 2021. One of the direct results of those changes was the rise of so-called 'stay-at-home' stocks.



With a large portion of the world's workforce suffering through various phases of lockdowns, companies that provided services for those staying at home thrived. Streaming services, such as Netflix, delivery services and videoconferencing businesses like Zoom all skyrocketed.

Beyond the big names, many smaller companies finally got their chance to play on the world stage. The value of many 'stay-at-home' stocks has extended beyond the lockdowns as consumers continue to enjoy their products and services.

Cryptocurrencies

One of the hottest trading themes in 2021 has been cryptocurrencies. What was once considered to be a niche speculation has been growing in both popularity and acceptance throughout the year.

El Salvador became the first country to accept Bitcoin, the most well-known crypto, as a legitimate currency, and other countries are considering the idea. Bitcoin remains volatile but set an all-time high of nearly \$68,800 in November, though it is at \$48,299 as I write.

Throughout 2021, more and more outlets for trading cryptocurrency opened up.



But it has to be said, with a 52 week range of \$17,619.53 to \$68,789.63, even the biggest crypto Bitcoin's year has been a real rollercoaster, and it is not exactly a stable and steady investment choice, particularly when its price is so easily influenced by one company's decision to accept it as payment, as well as its less-than-environmentally clean background.

Supply Chain Issues

One of the unexpected consequences of the coronavirus pandemic has been the disruption of the global supply chain.

A complex interplay of component shortages, sudden increases in consumer demand and bottlenecks at ports due to the lack of workers had led to rising container prices and low product inventory levels across the globe.

This, in turn, has been fueling inflationary pressures. Although shortages may eventually work themselves through the system, some are suggesting that the supply chain has been permanently changed due to the events of 2021, and all that will likely impact the companies we are investing in.

Permanent Remote Workers

When the coronavirus pandemic swept across the globe, many businesses were temporarily forced to suspend activity. Where possible, and in an attempt to get the economy moving again, many employees were allowed to work from home.



After months of this grand economic experiment, a few surprises emerged.

One is that many businesses have continually extended the idea of workers are being kept out of the office, partially as a result of them generating the same or even a higher level of productivity at home.

Perhaps less surprising was the fact that many workers preferred working from home. This could translate to a permanent feature of employment, saving office rental and running costs for some businesses; but forcing other companies that once catered to in-office workers, out of business.

Towards a Cleaner World

There has been talk for decades about shifting away from fossil fuels and moving toward greener energy production. In 2021, this trend had such momentum behind it that it became a major investable theme.

Although years in the making, 2021 saw such major legislation as President Joe Biden's "Build Back Better" program, which, among many other provisions enhanced incentives for buying electric vehicles and set aside funding for building charging stations.

Many governments around the globe have mandated that all new cars and passenger trucks be electric vehicles in the near future (2035 on). These developments have pushed even major vehicle makers like Mercedes, Jaguar, Volvo and others to begin shifting to all-electric model lineups, and there is renewed enthusiasm for hydrogen powered vehicles.

We saw COP26 draw in decision-makers from around the world, all talking a great story about saving the planet from warming to destruction. Let's all hope they follow through on the intent.

Shift in Payment Processing



Cash use has continued to fall as a percentage of overall transactions, particularly in North America and Europe.

This was exacerbated by the pandemic, as consumers were forced to conduct more transactions online.

Even merchants who did remain open often refused to handle cash. In 2020, the year for which the most recent data is available, cash was used in just 11.4% of point-of-sale transactions in North America. Coupled with the rise of payment processors, such as PayPal and Venmo, the shift in payment processing seems like a trend likely to continue.

Rise of ESG Investing

ESG investing seems to have reached critical mass this year, and it has probably changed the investment landscape forever.

In addition to the rising demand from investors for companies that observe environmental, social and governance principles, companies themselves have begun incorporating ESG principles into their mission statements in ever-increasing numbers.

To help meet the demand, numerous ESG-oriented exchange-traded funds have flooded the market, with nearly every major firm now operating their own version.

Where are we now?

At the time of writing (6th December 2021) Omicron is the latest COVID variant, discovered in South Africa. Its transmissibility and severity remain unknown, but early suggestions are that it is very contagious, but with fairly mild symptoms.

News headlines, as always, are full of panic, but evidence so far existing treatments are likely to be effective.

Ever since COVID-19 first emerged, scientists have broken records with respect to the time it takes to get treatments to market and we are in the middle of the biggest vaccination operation in human history, and, as a result, millions of lives have been saved. As the vaccine rollout continues and new treatments are created, the return to normal (albeit a bumpy road) will continue into 2022.

Throughout the pandemic, the Federal Reserve has been flooding the US economy with liquidity. This can't go on forever and the Fed has now indicated tapering of this support.



The recent announcement from Chairman Jerome Powell suggests the Fed will tighten faster than previously planned.

Less monetary support means less market liquidity, and this has (in part) driven November's market volatility.

As always, it is important not to be distracted by the short-term volatility of markets as they react negatively to this type of news. The Fed is tightening because it believes the US economy is strong.

Initial jobless claims are at the lowest level since 1969, and much better than expected. A slew of other data points show strong improvements in consumer confidence and outlook, household spending is up, GDP growth data for 2021 has been revised higher, and home sales are up.

Some equity investors struggle to 'see the wood for the trees', and whilst a new virus strain and tapering of support from the Fed are worth bearing in mind, neither are reasons to panic. The world's largest economy is recovering much faster than expected, corporate profit growth is very strong, and this is good for stocks in the medium-term.

Looking through the noise, and the bigger picture is increasingly positive.