

Unsurprisingly, the Covid-19 pandemic created a wave of economic uncertainty around the world in 2020. But at the start of this year, even as infections mounted globally, a sense of confidence appears to be returning. Such is the signal recorded by the World Uncertainty Index, a quarterly measure of global economic and political turmoil. It hit a record high in the first quarter of 2020, but fell sharply in the three months to the end of March this year, touching a 14 -year low.



"Sacrificing your queen pretty cavalierly, aren't we?"

Unlike some alternative measures of uncertain ATW, such as stock market volatility, the index draws on a broad set of information from 143 countries. It is also timelier than analyzing the volatility of GDP growth (some countries have still not reported GDP for 2020). The index measures the number of times the words "uncertain", "uncertainty" and "uncertainties" appears in country reports published by the Economist Intelligence Unit (a sister company of the magazine the Economist). Over the past three decades these terms appeared a little over one a half time per 10,000 words on average. The count is then weighted by the total number of words in each report. An increase in the relative mentions of "uncertain" and its derivatives suggests that uncertainty is rising, and vice versa.

The decline in uncertainty may be surprising given the woeful state of the pandemic. There were nearly 1M official Covid-19 deaths in the first quarter of this year, the highest quarterly total since the pandemic began. But the index is adjusted for GDP, lending rich countries whose vaccination programmes are more advanced, more weight. The latest update covers only the first quarter of this year, and so it does not reflect India's horrific second wave. Even so, it is unlikely that India's Covid-19 crisis to lead to a big jump in the gauge, partly because the country makes up only a small share of global GDP. Meanwhile, in rich countries there are growing signs from the labour market and consumer prices, that the economic recovery is well under way. The World Index offers corroborating evidence for that optimism. Markets welcome such news and we remain optimistic for further gains in equities as we move towards the mid-point in the year.

Good news indeed and hope everyone had a great Victoria Day long weekend. Both the Economist and Queen Victoria share British heritage and belong together in the same mention. For more on the 19th century Monarch and her role in Canadian history, click [here](#). God Save the Queen!

Be safe, be well!

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