Heartwood Investment Management

Weekly Bulletin

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Weekly Bulletin: Financial markets unperturbed by geopolitics

In a week dominated by geopolitics and news from the US, global financial markets were broadly strong, but with some changes in leadership within markets. Economic data continues to offer nascent signs of improvement.

- At a press conference on Friday, President Trump announced a wave of new anti-China measures, revoking Hong Kong's special trade privileges and introducing sanctions on Chinese officials.
- Blaming China for the global outbreak of COVID-19 has become a key political tool for Trump. The latest polls show declining presidential approval, with Trump's challenger for November's big election – former vice president Joe Biden – opening up a healthy lead. This could go some way to staying Trump's hand on explicit confrontation with China. Indeed, Friday's press conference left 'Phase One' of the US-China trade deal (agreed in late 2019) untouched, though the risk remains that Trump could overplay his hand and jeopardise the agreement.
- In keeping with his personal brand, Trump drew further controversy last week amid a wave of outrage sweeping across the US in response to the death of an unarmed black man under police restraint. As protests – not all of them peaceful – erupted across the nation, Trump's tweet that 'when the looting starts, the shooting starts' (referencing infamous 1967 comments by a Miami police chief) was 'hidden' by Twitter on the grounds that it glorified violence.
- As tensions escalated between Trump and the popular social media platform (which has been central to his ability to communicate directly with his support base), Trump signed an 'executive order' targeting some of the protections enjoyed by social media platforms (including Facebook too). The order pushes the firms towards liability for content shown on their platforms, opening up potentially enormous risks for these businesses, and leading to share price falls of around 5% over the week.
- Meanwhile, economic data across the globe continues to incrementally improve, as economies begin to reopen following lockdown conditions. Unusual, high frequency economic indicators such as LinkedIn hiring data, restaurant reservations and hotel occupancy are all pointing to an emerging recovery.

What to look out for this week

- Brexit negotiations will continue throughout the week. Sterling has already weakened slightly, perhaps in anticipation of challenges ahead.

- The latest monthly US employment report (covering May) is due for release on Friday. Unemployment is expected to have continued to rise throughout the month.

	Index Levels	Last Week	Month-to-date	Year-to-date
Equity				
MSCI United Kingdom	1,721.9	1.4%	3.1%	-18.9%
MSCI United Kingdom Mid Cap	1,060.1	4.8%	7.5%	-19.4%
MSCI United Kingdom Small Cap	353.6	4.5%	4.4%	-21.8%
MSCI World (GBP)	1,651.0	2.2%	7.0%	-1.4%
S&P 500 (GBP)	3,044.3	1.6%	6.9%	1.8%
MSCI Japan (GBP)	944.0	4.4%	8.1%	-0.3%
MSCI Europe ex-UK (GBP)	1,240.5	4.3%	8.0%	-6.7%
MSCI Pacific ex-Japan (GBP)	1,366.8	2.3%	1.6%	-13.6%
MSCI Emerging Markets (GBP)	54,104.1	1.4%	2.8%	-9.9%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,443.2	0.0%	0.0%	10.2%
BoA Merrill Lynch Index-Linked Gilts	633.0	1.6%	4.7%	11.9%
BoA Merrill Lynch £ Corporate	451.0	0.9%	0.8%	1.6%
Commodities				
Oil (West Texas Intermediate, GBP)	$35.3	4.0%	87.4%	-38.1%
Gold (GBP)	$1728.7	-1.7%	3.6%	22.3%
S&P / GSCI (GBP)	1,570.8	1.6%	18.7%	-35.1%

Past performance is not a reliable indicator of future results. The value of investments may fall as well as rise. All performance returns are in GBP, while all index levels are in local currency.