

Morning Meeting

8 June 2020

| | Index | +/- | % change |
|-------------------------|---------|-------|----------|
| FTSE 100 | 6484.3 | 142.9 | 2.3 |
| FTSE All-Share | 3589.8 | 79.8 | 2.3 |
| DJ Industrial Average | 27111.0 | 829.2 | 3.2 |
| S&P 500 | 3193.9 | 81.6 | 2.6 |
| NASDAQ Composite Index | 9814.1 | 198.3 | 2.1 |
| Nikkei Japan 1000 Index | 1926.3 | 11.0 | 0.6 |
| Hang Seng Index | 24770.4 | 404.1 | 1.7 |
| EURO STOXX 50 (EUR) | 3384.3 | 122.6 | 3.8 |
| Switzerland SMI (PR) | 10190.4 | 114.7 | 1.1 |
| France CAC 40 | 5197.8 | 185.8 | 3.7 |
| Germany DAX (TR) | 12847.7 | 417.1 | 3.4 |

| Currencies | | +/- | 12 month range | |
|--------------|-----------|----------|----------------|------------|
| £:\$ | 1.273 | 0.01 | 1.15 | 1.33 |
| Y:\$ | 109.745 | 0.74 | 102.55 | 112.09 |
| E:£ | 1.125 | 0.01 | 1.07 | 1.20 |
| E:\$ | 1.131 | 0.00 | 1.07 | 1.14 |
| 10 Yr Bond | Yld % | +/- | -3 months | -12 months |
| UK | 0.36 | 0.05 | 0.34 | 0.92 |
| US | 0.91 | 0.10 | 0.92 | 2.12 |
| Germany | -0.28 | 0.04 | -0.67 | -0.20 |
| | Price (p) | +/- | 12 month range | |
| Investec plc | 189.7 | 14.55001 | 128.8 | 518.6 |

| Matrix Winners | Price | +/- | % change |
|-----------------|--------|-------|----------|
| Premier Oil plc | 39.8 | 8.0 | 25.2 |
| Carnival plc | 1431.5 | 237.0 | 19.8 |
| Capita plc | 45.8 | 7.6 | 19.8 |
| Tullow Oil plc | 30.4 | 4.9 | 19.1 |
| Ted Baker PLC | 134.7 | 17.9 | 15.3 |

| Sector Winners | % change | Mkt Wt |
|---|----------|--------|
| FTSE All-Share / Oil Equipment, Services & Distribution - SEC | 11.2 | 0.1 |
| FTSE All-Share / Life Insurance - SEC | 7.41 | 3.4 |
| FTSE All-Share / Oil & Gas Producers - SEC | 7.08 | 3.4 |
| FTSE All-Share / Banks - SEC | 6.1 | 7.6 |
| FTSE All-Share / General Industrials - SEC | 5.9 | 1.3 |

| Matrix Losers | Price | +/- | % change |
|-----------------------|--------|-------|----------|
| Fresnillo PLC | 717.4 | -39.4 | -5.2 |
| National Grid plc | 918.6 | -25.2 | -2.7 |
| Auto Trader Group PLC | 551.0 | -15 | -2.7 |
| Pennon Group Plc | 1104.0 | -30 | -2.6 |

| Sector Losers | % change | Mkt Wt |
|--|----------|--------|
| FTSE All-Share / Gas, Water & Multiutilities - SEC | -1.9 | 2.5 |
| FTSE All-Share / Technology Hardware & Equipment - SEC | -1.7 | 0.1 |
| FTSE All-Share / Food & Drug Retailers - SEC | -1.0 | 2.0 |
| FTSE All-Share / Forestry & Paper - SEC | -0.9 | 0.4 |
| FTSE All-Share / Tobacco - SEC | -0.3 | 4.3 |

| Stocks Hitting Relative High |
|------------------------------|
| CRH Plc |
| - |

| Stocks Hitting Relative Low |
|-----------------------------|
| NMC Health PLC |
| - |

Companies discussed in Morning Meeting

UK Equities

Hurricane Energy Company Update

Renishaw Company Update

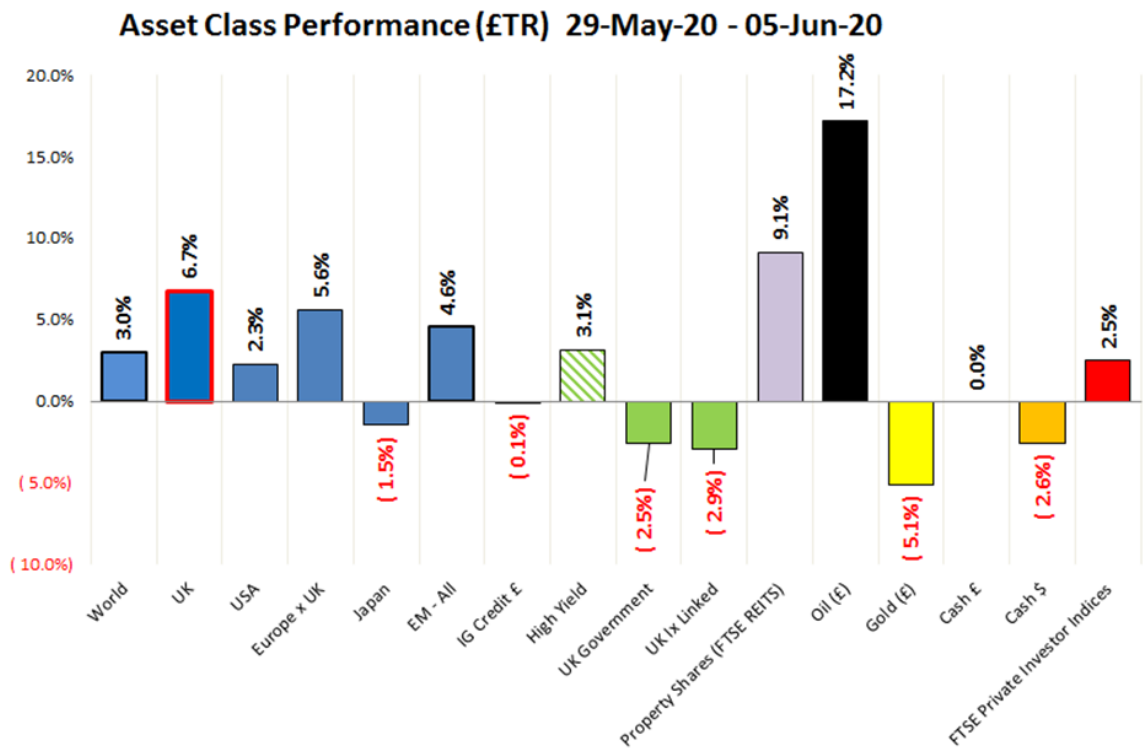
International Equities

Deere Company Results

Friday

- US Equity markets rose by 2.6% on Friday, dragging European markets (UK +2.3%, EuroStoxx +3.8%) in their wake.
- The catalyst was the monthly employment report, which confounded expectations as payroll employment rose by 2.5m, relative to an expected fall of 7.5m. This led to a decline in the headline (so called U-3) unemployment rate to 13.3% (vs. 14.7% in April). Given that the weekly jobless data has averaged over 2m per week over past four weeks, taken at face value this suggests that more than 10m people found jobs over the period – an astounding statistic. The Bureau of Labour Statistics (BLS) which compiles the data suggested that classification issues probably meant that the US unemployment rate should have been 3% higher, but the even the broader U6 unemployment rate (which includes discouraged workers who have stopped self-reporting as unemployed and those working part-time for purely economic reasons) fell by 1.6% to 21.2% from April. It was also notable that Canada, reporting on the same day, saw a rise in employment for the month and a U3 unemployment rate similar to the US.
- The question, after this undeniably positive report, is will the momentum continue. If it does, those who have believed in a “V” will be vindicated. Currently, the other key evidence that would support such optimism has come from the resilient consumer confidence and personal income data from the week before last, which suggest that there is a good deal of pent-up demand if a more normal functioning of the economy allows it to be expressed.
- The risk on pivot was evident throughout financial markets. US treasury yields rose to 0.9%, a rise of 10 basis points on the day and 25 basis points on the week. UK 10 year gilt yields followed suit, rising by to 0.35%, a rise of 5 basis points on the day and 15 on the week.
- Credit markets saw spreads continue to compress, with US high yield spreads falling by a full percentage point over the week to 5.35%, whilst investment grade spreads fell by 0.3% to just over 1.4%, most of which was accounted for by a rise in the “basis”. Work done by Deutsche bank suggests that within high yield credit, those issues at the better end of the quality scale are now priced more tightly than prior to COVID. This suggests both that we were not alone in identifying the credit area as the best opportunity, on a risk reward basis, at the market lows and also that the unusual opportunity is now largely behind us.
- Gold (\$1650, -\$30 on Friday, -\$50 on the week) & Oil (WTI \$39.5, +\$2 on Friday, +\$4 on the week) moved in opposite directions, as expected in a day dominated by flows out of defensive positions. The days of negative oil prices are now behind us, with analysts beginning to revise up their year-end forecasts.

Last Week



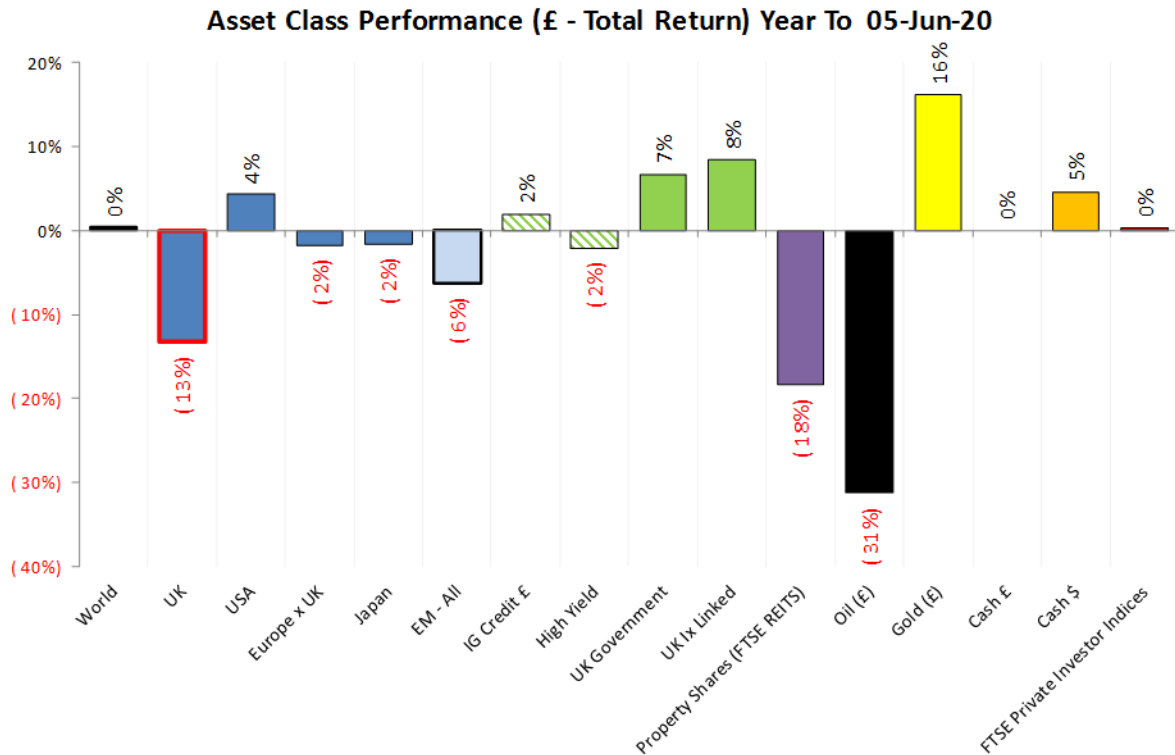
- Global Equities in US dollars rose by 5.6%, and by 3% in sterling as the pound sterling rose by 2.6% versus the dollar, ending the week at \$/£ 1.266. The dollar fell by 1.4% on a trade weighted basis.
- Volatility fell by three points to just under 24.5 over the week.

Events last week

Europe

- Michel Barnier commented on latest Brexit talks and indicated that no material progress on Brexit had been made and suggested that the draft agreement would need to be ready by October to enable ratification before the deadline.
- the ECB announced an increase to the size of their PEPP by a further €600bn, the German government agreed additional fiscal stimulus
- Following the US, there was also sharp rise in German bund yields at the 10 year tenor from (0.44%) to (0.27%). **Peripheral debt tightened as well** with 10 year yield spreads relative to bunds 17.5bps tighter in Spain over the 5 days, (Spanish 10 year government bonds now yield 0.55%), Italian spreads 23 bps tighter (they now yield 1.4%) and Greek spreads 33bps tighter (they now yield 1.3%)

Year to Date: Global Equities in £ are now flat.



COVID Update – not so great

- 1. Corona update – still not at peak new global infections.** Over the past week the Covid virus has continued to become entrenched in more countries. There are now 66 countries averaging more than 100 new infections per day over 7 days, up from 60 last week. 31 countries have averaged more than 500 infections per day, up from 28 last week. 8 countries averaged more than 3000 infections/day, up from 7 last week.
- 2.** 7 June saw 129k new infections recorded across the globe, a new record. The 7 day average is now at 115k, up 7% week on week as EM infections have again grown by more than enough to offset the decline in DMs
- 3.** Emerging markets still account for 17 of the 20 countries with the highest 7 day average number of new infections.
- 4.** Brazil and the US, while reporting the highest number of infections per day over the past week have at least seen their weekly growth in new infections come to a halt. The most concerning growth rates for countries with more than 2,000 infections per day come from India (9.2k/day, up 28% week on week), Pakistan (4.2k/day, up 98% week on week), Mexico (3.7k/day, up 21% week on week), Iran (2.9k/day, up 33% week on week), Bangladesh (2.6k/day, up 47% week on week) and South Africa (2.1k/day, up 56% week on week). Iran is a particular concern – its second wave of infections appear to be swiftly growing and provides a worrying example of what may be possible elsewhere. Similarly, Sweden has seen a bounce to 970 infections/day (up 73% week on week).

This morning:

- Markets in Asia have kicked off the week modestly, considering the strength in the US. The Nikkei is up by over 1% but the Hong Kong, Chinese and Korean markets are little changed.
- Over the weekend: OPEC+ agreed to a one-month extension in its recent output cuts and suggested a stricter compliance approach to those who breach this. Oil is up around +1% so far this morning
- In American politics: US rioting was less violent and widespread and Donald Trump withdrew the National Guard from Washington streets. Former Sec of State Powell backed George Biden for President, saying Donald Trump's threat of using US troops against protesters shows he has drifted away from constitution. Donald Trump responded on Twitter with "Colin Powell, a real stiff who was responsible for getting us into disastrous Middle East wars...he was over-rated".
- Japan's final Q1 GDP came in at -0.6% qoq (vs. -0.5% qoq expected)
- China's trade surplus came in at record \$62.9bn (vs. \$41.4bn expected and \$45.3bn in April) in May. From a global perspective the number was both good and bad. The positive surprise came because exports fell less than expected and no more quickly than last month (good, as it implies ex-China, COVID impacts have stabilised earlier than expected) but the 16.7% fall in imports was also a lot more than expected, suggesting that the boost to global demand provided by China's "re-stocking" phase may also be largely over
- German industrial production for April has been released, with output registered as falling by 17.9% month over month. This is consistent with forecasts of 10% GDP contraction in Germany this year, with the Bundesbank estimating a 7% contraction – before recent stimulus programmes had been announced.

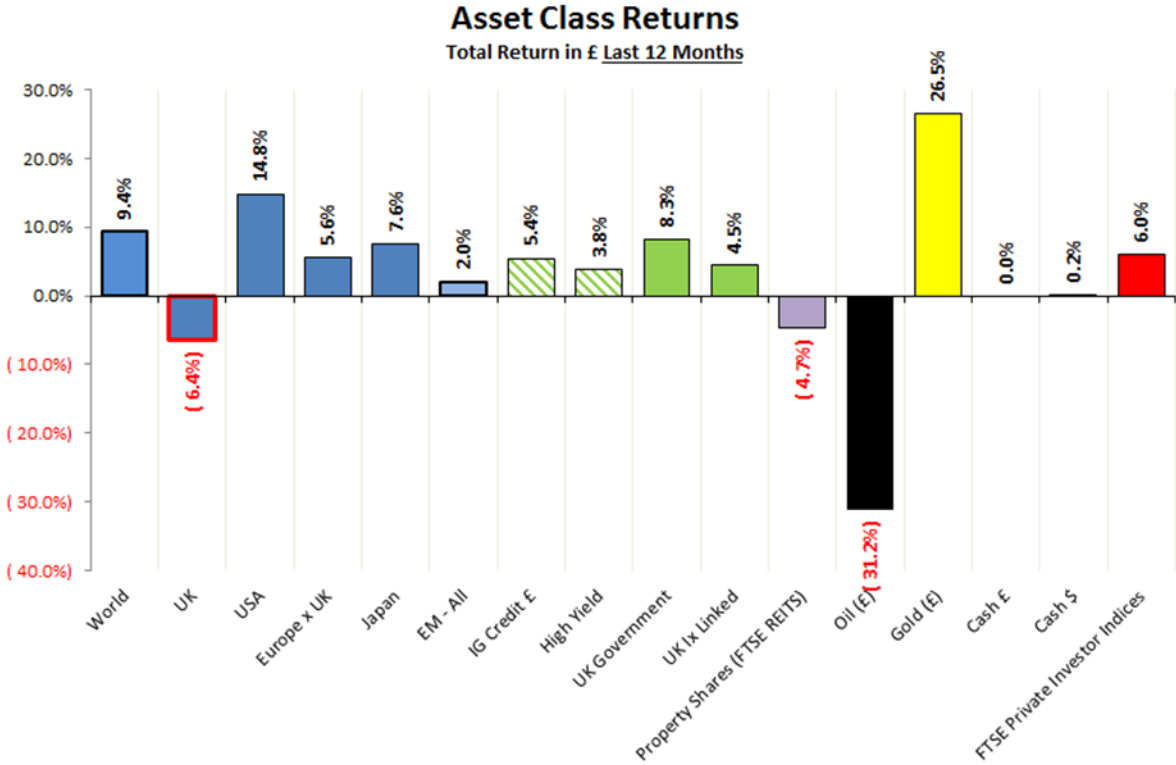
Other Highlights / Corporate News

- With markets functioning more normally, expectations that strong companies would look to take advantage of recent dislocations, leading to an upsurge in M&A and corporate activity have received encouragement from suggestions that AstraZeneca may be looking to tie up with Gilead – which would be a merger of a companies with market caps of \$140bn and \$100bn respectively.
- GrubHub, the food delivery firm, has also reportedly received approaches from JustEat and another European investor – in addition to recent speculated interest from Uber.

The Week Ahead

- Monday 08
 - ECB Lagarde reports to European Parliament
 - Germany industrial production
- Tuesday 09
 - Germany trade balance
 - Euro Area Q1 GDP final report.
- Wednesday 10
 - Japan, China America inflation data.
 - FOMC Meeting – what next? Guidance of monthly QE of \$65-85Bn for foreseeable future & extension of lower for longer rates steer.
 - OECD Economic Outlook published
- Thursday 11
 - Weekly jobless data
 - Euro-Group meeting of Finance Ministers
- Friday 12
 - UK April GDP estimate. Industrial Production, Trade Balance
 - US Michigan (mid-month) Consumer Sentiment

Performance last 12 Months



Events Calendar

| Date | Company | Event |
|--------------|---------------------------------|--|
| 09 June 2020 | British American Tobacco plc | Q2 2020 Sales and Revenue Release - Pre-close Trading Update |
| 10 June 2020 | Industria de Dise o Textil SA | Q1 2020 Earnings Release |
| 10 June 2020 | LondonMetric Property Plc | Q4 2020 Earnings Release |
| 10 June 2020 | Shaftesbury Plc | Q2 2020 Earnings Release |
| 11 June 2020 | Adobe Incorporated | Q2 2020 Earnings Release |
| 11 June 2020 | Babcock International Group Plc | Q4 2020 Earnings Release |
| 11 June 2020 | Johnson Matthey Plc | Q4 2020 Earnings Release |
| 16 June 2020 | Ashtead Group Plc | Q4 2020 Earnings Release |
| 17 June 2020 | Hill & Smith Holdings Plc | Q1 2020 Sales and Revenue Release - Trading Update |
| 17 June 2020 | Kingfisher plc | Q4 2020 Earnings Release |
| 17 June 2020 | SSE Plc | Q4 2020 Earnings Release |
| 18 June 2020 | National Grid Plc | Q4 2020 Earnings Release |
| 19 June 2020 | John Wood Group Plc | Q2 2020 Sales and Revenue Release - Trading Update |
| 25 June 2020 | Auto Trader Group Plc | Q4 2020 Earnings Release |
| 25 June 2020 | Dixons Carphone Plc | Q4 2020 Earnings Release |
| 25 June 2020 | NIKE, Inc. | Q4 2020 Earnings Release |
| 26 June 2020 | Prosus NV | Q4 2020 Earnings Release |
| 26 June 2020 | Tesco Plc | Q1 2021 Sales and Revenue Release - Trading Statement |

| | Monday 8 th June | Tuesday 9 th June | Wednesday 10 th June | Thursday 11 th June | Friday 12 th June |
|-----|--------------------------------|---|--|--|---|
| UK | | | | | Construction Output Y/Y Trade Balance Visible SA Industrial Production SA M/M Industrial Production SA Y/Y Manufacturing Production SA M/M |
| US | | NFIB Small Business Index JOLTS Job Openings Wholesale Inventories SA M/M (Final) | CPI ex-Food & Energy SA M/M CPI NSA Y/Y Hourly Earnings SA M/M (Final) Hourly Earnings Y/Y (Final) Average Workweek SA (Final) Treasury Budget NSA FOMC Meeting Fed Funds Target Upper Bound | Initial Claims SA PPI ex-Food & Energy SA M/M PPI SA M/M PPI NSA Y/Y | Export Price Index NSA M/M Import Price Index NSA M/M Michigan Sentiment NSA (Preliminary) |
| RoW | EU - Sentix Economic Index | EU - GDP SA Y/Y (Final) | | | EU - Industrial Production SA M/M EU - Industrial Production WDA Y/Y |

Central Bank Meetings

| | |
|------------------------------|----------------------------|
| European Central Bank | 4 th June 2020 |
| Federal Reserve | 10 th June 2020 |
| Bank of England | 18 th June 2020 |

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