

Morning Meeting

22 June 2020

	Index	+/-	% change
FTSE 100	6292.6	68.5	1.1
FTSE All-Share	3486.8	37.3	1.1
DJ Industrial Average	25871.5	-208.6	-0.8
S&P 500	3097.7	-17.6	-0.6
NASDAQ Composite Index	9946.1	3.1	0.0
Nikkei Japan 1000 Index	1891.1	-0.3	0.0
Hang Seng Index	24643.9	179.0	0.7
EURO STOXX 50 (EUR)	3269.1	19.2	0.6
Switzerland SMI (PR)	10266.3	79.8	0.8
France CAC 40	4979.5	20.7	0.4
Germany DAX (TR)	12330.8	49.2	0.4

Matrix Winners	Price	+/-	% change
Cairn Energy PLC	128.3	5.9	4.8
Taylor Wimpey plc	149.0	6.2	4.3
Equiniti Group Plc	160.0	6.6	4.3
Howden Joinery Group PLC	586.4	24.0	4.3
United Utilities Group PLC	978.2	38.6	4.1

Matrix Losers	Price	+/-	% change
Ted Baker PLC	94.0	-13.4	-12.5
Hammerson plc	104.7	-9.8	-8.6
Marks and Spencer Group plc	107.9	-4.2	-3.7
Ascential Plc	290.6	-1.1	-3.6
Babcock International Group PLC	341.1	-11.2	-3.2

Stocks Hitting Relative High

Flutter Entertainment Plc
 Ashtead Group plc
 Serco Group plc

Currencies		+/-	12 month range	
£:\$	1.236	-0.01	1.15	1.33
Y:\$	106.975	0.21	102.55	112.09
E:£	1.106	0.00	1.07	1.20
E:\$	1.118	0.00	1.07	1.14

10 Yr Bond	Yld %	+/-	-3 months	-12 months
UK	0.24	0.02	0.80	0.93
US	0.68	-0.01	1.12	2.02
Germany	-0.46	-0.01	-0.18	-0.29

	Price (p)	+/-	12 month range	
Investec plc	170.25	3.8	128.8	518.6

Sector Winners	% change	Mkt Wt
FTSE All-Share / Gas, Water & Multiutilities - SEC	2.8	2.7
FTSE All-Share / Electronic & Electrical Equipment - SEC	2.03	2.7
FTSE All-Share / Forestry & Paper - SEC	1.87	0.4
FTSE All-Share / Software & Computer Services - SEC	1.9	1.0
FTSE All-Share / Food Producers - SEC	1.8	0.7

Sector Losers	% change	Mkt Wt
FTSE All-Share / Real Estate Investment Trusts - SEC	-1.0	2.4
FTSE All-Share / Industrial Metals & Mining - SEC	-0.5	0.1
FTSE All-Share / Life Insurance - SEC	-0.4	3.3
FTSE All-Share / Electricity - SEC	0.0	0.8
FTSE All-Share / Construction & Materials - SEC	0.2	1.5

Stocks Hitting Relative Low

Babcock International Group PLC

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Companies discussed in Morning Meeting

UK Equities

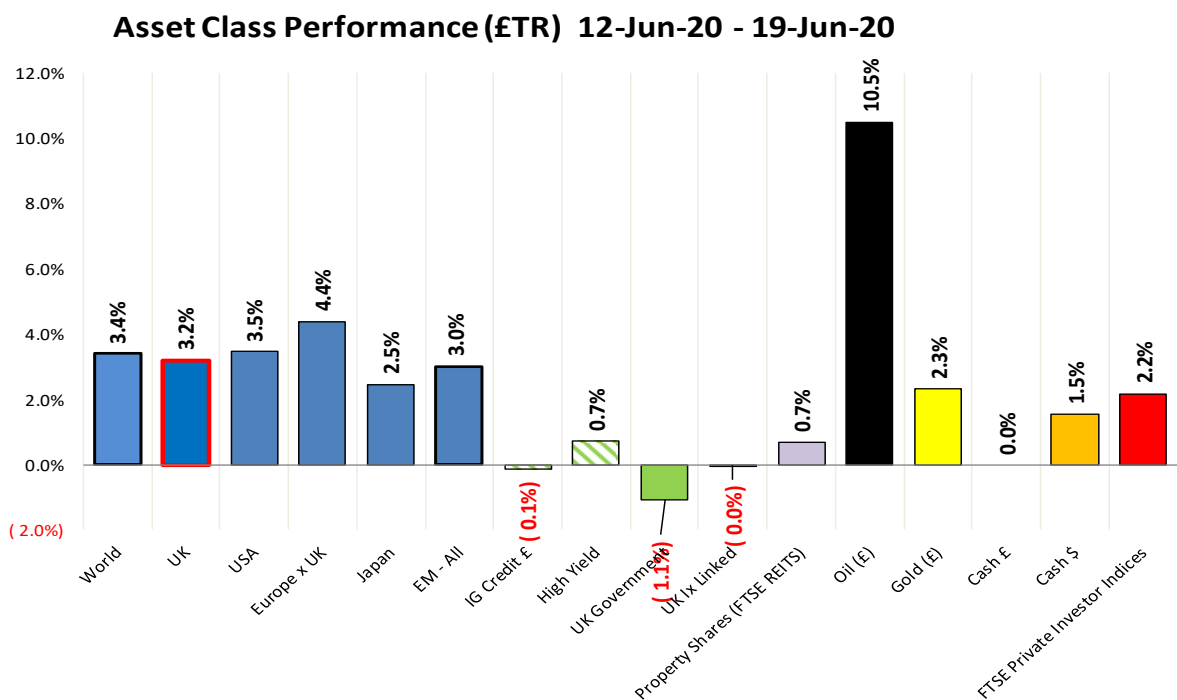
Anglo American

Company Update

International Equities

None

- Last Friday, US Equity markets closed 0.6% lower, with Europe, UK, and Asia up by between 0.5% & 1%.
- Concerns about an uptick in COVID cases in some southern US States that have been quick to ease lock-downs. 24 of the 50 States now have R rates above 1, with large states Texas, Florida and California amongst them, all showing signs of acceleration.
- But is not just in America where the virus appears to have regained some ground. The truth is that we are now beginning to see the inevitable upticks in COVID in many of those countries that have eased lockdowns – Germany saw 600 new cases on Sunday and the seven-day average new-case rate has risen above 500 for the first time in five weeks. China has averaged 40 new cases/day for the past week, after single digit reports through May and early June. In both cases the scale of the uptick is not dramatic and the source appears well understood but broadly, financial markets, now being in a phase where they are trying to assess the trajectory of the recovery, will be watching closely to judge whether renewed widespread lock-downs will be imposed and also the effects on consumer behaviours, whether or not they are locked down.
- The German and Chinese viral uptick is still far from threatening renewed widespread lock-downs (although local measures are certainly being taken) but high frequency activity data shows that the consumer is being impacted, at least in China, where national average subway usage ended the week down 4.2% points at 65% of prior year, breaking the consistently improving trend since early May. Subway usage in Beijing was down by 36% points as of Saturday the 20th. At this stage, however, other cities around the country do not appear to have been materially impacted.
- Looking at the picture for the week.



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- It was a broadly “risk on” week in global equity markets, a mirror image of the week before. Global Equities rose by 3.4% in sterling terms compared to the 2.8% fall in the prior week, and so are marginally up (+0.5%) over the two weeks.
- Sterling weakness contributed almost half the gain, as the pound fell by 1.5% against the dollar from \$1.254 to \$1.235 over the week. (It is trading just above \$1.24 this morning).
- The VIX index rose four points on Friday, but ended the week at 35, only one point lower than where it began – still a remarkably high level relative to the post GFC “normal” 10-20 range.

- UK equities performed broadly in line with World Equities (+3.2% v 3.4%), unable to regain any ground lost in this year, which has seen UK equity indices pay a high price for our resources & financials exposure – the UK remains 16% below its level at the start of the year, whilst Global Equities in £ are up by 1%. The next-worst performing region is EM, now only 3% below the level at the start of the year.
- In Fixed Income, US 10 year Treasury yields fell by 1 basis point to 0.69% on Friday, which was also the magnitude of their change over the week. UK 10-year Gilt yields rose by one basis point on Friday to 0.23%, a rise of three basis points on the week. German 10 year Bund yields rose by two basis points over the week to -0.42%.
- Credit markets saw spreads partly reverse the previous week's widening, with US\$ High Yield spreads narrowing by 0.3% to just over 5.75% whilst Investment Grade spreads narrowed by 0.1% to just under 1.5%. Since the basis (US Treasuries) was almost unchanged, credit delivered a marginally positive return for the week.
- Currency markets saw the trade-weighted dollar broadly stable as its strength against sterling and the euro (+0.7%) was matched by modest \$ weakness v the yen (-0.5%) and also versus the yuan (-0.2%). The yuan ended the week at \$/CNY 7.07, in spite of increasingly heated anti-China rhetoric from the Trump Presidential campaign and the outbreak of COVID in Beijing.
- Gold is the best performing asset over the past two weeks, ending the week at \$1744/oz, up \$15 on the week (just under 1% in \$, +2.3% in £), and up over 6% in sterling over two weeks. The hyper-volatile oil price rose by 10% in sterling, but is flat over two weeks in \$ & £. Over the year to date, the Brent Crude oil price is down by 39% in £ and by 36% in \$.

Events over Last Week

US – focussed

- US May Retail Sales exceeded forecasts (+18% v -16% in April).
- Weekly new jobless claims reported at 1.5m, flat with prior week.

UK

- BoE asset purchase target increased as expected from £645bn to £745bn. Base rate unchanged at 0.1%.
- Better retail sales than forecast (+12% in May v -18% in April)

Europe

- Council meeting on Friday, failed to agree COVID Recovery Fund package, but edged closer.
- Peripheral yield spreads narrowed. (Italian & Spanish, both by slightly more than 10 basis points)

This Morning:

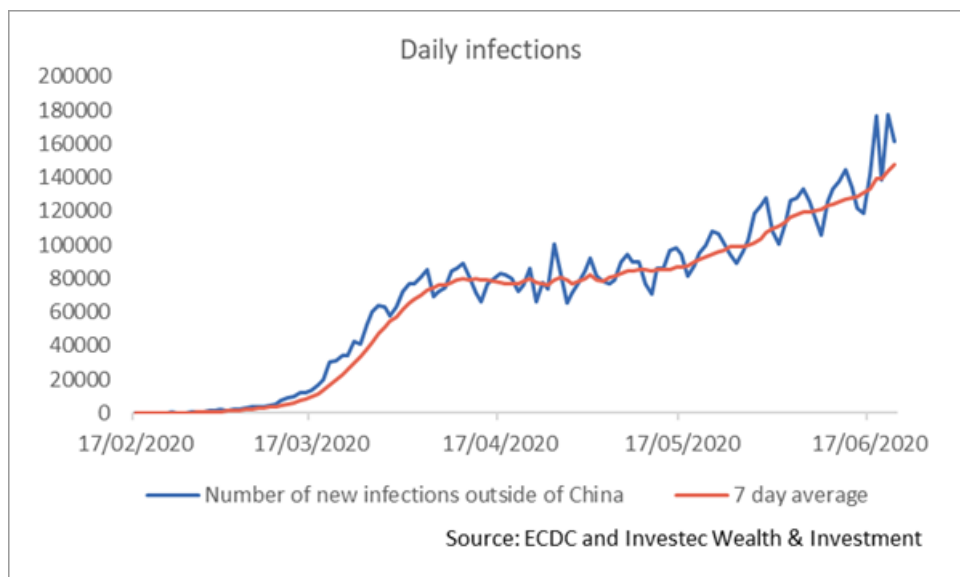
COVID News

- UK considering VAT cut (Sunday Times). Pubs and restaurants looking like opening on July 4th as the Viral Alert level was lowered to 3 from 4, which means “in general circulation but not increasing”. UK cumulative cases now at 304k, with 42k deaths.
- In China, the Beijing Xinfadi outbreak control is ongoing: Shutting schools. Pepsico administrative offices shut after single employee tested positive. China stops Tyson (chicken) imports after 13% of workers tested positive in their Arkansas plant. Sunday data is hopeful. Only seven new cases in Beijing.
- Lock-down v Lockdown Measures: France opens schools & Eifel Tower. Moscow opens schools & will hold WW2 victory parade. Saudi Arabia lifts curfew. On the other side of the coin, Israel has threatened re-imposition and Venezuela has restored lockdown.
- The controversy over US policy is increasing and is increasingly politicised. Niall Ferguson, the epidemiologist who was an advisor to the UK Government and who, with 20/20 hindsight, attacked our own lock-down measures as being a week too late, is now focussing his attention on the disorganised US efforts and sounding an alarm about the progress of the virus – however his article is somewhat comforting in that it highlights an acceptance of a mortality rate much lower than had been feared – 0.2% to 0.4%.

- A Danish study has been released that shows that 20% of recovered patients tested positive for the virus – in a study of 200. We will wait to see if subsequent analysis shows that these patients have live or dead viral DNA in their systems – the latter would replicate the South Korean experience, the former would be worrying.

Viral Load

- Corona update – Global numbers continue to deteriorate, US and Brazil see second waves. There are now 73 countries and territories averaging more than 100 cases per day over the past seven days (up from 67 last week). The number of countries averaging more than 3k infections per day has remained static at 12.
- The net result of the virus becoming more widespread and continuing large increases in several countries was a continuing increase in the total number of infections across the world to nearly 180k on Friday alone. The seven-day average is now just short of 150k/day, up 15% week on week.



- Both Brazil and the US saw their weekly average number of cases increase materially (up 22% week on week and 17% week on week respectively). On Friday Brazil reported over 50k new cases in one day alone. Chile was up 75% week on week largely as a result of an 'accounting error' that had seen over 30k cases previously not accounted for and included last week. South Africa, Saudi Arabia and Colombia were all up over 20% week on week.

Other News

- Donald Trump restarted his presidential campaign in Tulsa.
- China released its framework for the new security law in HK, as expected it supersedes all other HK security laws.
- Congress has indicated that the CEOs of Amazon, Apple, Facebook, and Alphabet will be subpoenaed to testify to congress in antitrust investigation if they do not appear voluntarily.
- Bloomberg is highlighting progress in defusing the landmine represented by the German Constitutional Court's objections to ECB actions. Changes in the German Constitutional Court, together with the preparation of proposals to satisfy its concerns, are in the works.
- UK Bank of England Governor Bailey has indicated that he would want to shrink the Bank's balance sheet as a priority over increasing interest rates, when the time is right.
- Asian Markets This morning
- HK down 0.7%, Japan -0.2%, China Flat. – yuan flat @ 7.08/\$,
- Gold up a further \$10 to over \$1750 and is now only \$100 away from its all-time high of \$1869 in September 2011.

The Week Ahead

- Holidays: China (Thursday/Friday)

Monday 22

- US / Russia arms control talks
- China/EU trade & political relationship talks
- Apple Worldwide Developer Conference (on-line)
- China policy rates
- US Existing Home Sales

Tuesday 23

- US new Home Sales
- June Preliminary Manufacturing, Services & Composite PMIs released across the world. Expectations broadly in low 40s range for US, Europe & UK.

Wednesday 24

- IMF is likely to revise down growth forecasts from current estimate of (3%) for 2020, when it publishes update.
- US House prices
- Germany IFO
- China Trade Balance

Thursday 25

- Weekly jobless data – last week m... expect m
- Germany GFK Consumer Confidence
- UK CBI distributive trades survey
- Retail - 24th June is quarterly rent day. The British Property Federation expects that retail landlords will receive only around a quarter of the £2.5bn June quarter rents due this week, as struggling retailers take advantage of a temporary ban on evictions for non-payment of rent during the COVID-19 pandemic. 3 month moratorium on eviction for non-payment of rent is currently effective until 30th June.

Friday 26

- US Personal Income / Spending (PCE inflation). Michigan Consumer Sentiment.

Events Calendar

Date	Company	Event
25 June 2020	Auto Trader Group Plc	Q4 2020 Earnings Release
25 June 2020	NIKE, Inc.	Q4 2020 Earnings Release
26 June 2020	Marston's Plc	Q2 2020 Earnings Release
26 June 2020	Tesco Plc	Q1 2021 Sales and Revenue Release - Trading Statement
29 June 2020	Prosus NV	Q4 2020 Earnings Release
30 June 2020	easyJet Plc	Q2 2020 Earnings Release
30 June 2020	FedEx Corp.	Q4 2020 Earnings Release
01 July 2020	Rolls-Royce Holdings Plc	Q1 2020 Sales and Revenue Release - Trading Update
01 July 2020	J Sainsbury Plc	Q1 2021 Sales and Revenue Release - Trading Statement
02 July 2020	Associated British Foods Plc	Q3 2020 Sales and Revenue Release - Trading Update
07 July 2020	Micro Focus International Plc	Q2 2020 Earnings Release
08 July 2020	Costco Wholesale Corp.	June 2020 Sales and Revenue Release
09 July 2020	Persimmon Plc	Q2 2020 Sales and Revenue Release - Trading Update

	Monday 22 nd June	Tuesday 23 rd June	Wednesday 24 th June	Thursday 25 th June	Friday 26 th June
UK		CIPS Manufacturing PMI SA (Prelim) CIPS Services PMI SA (Prelim) CBI Industrial Trends Total Orders NSA M/M		CBO Distributive Trades Survey Realised NSA	Nationwide House Price NSA Y/Y
US	Existing Home Sales SAAR	Building Permits SAAR (Final) PMI Composite SA (Prelim) Markit PMI Manufacturing SA (Prelim) Markit PMI Services SA (Prelim) New Home Sales SAAR Richmond Fed Index	FHFA Home Price Index	Continuing Jobless Claims SA Durable Orders SA M/M (Prelim) GDP Chain Price SAAR Q/Q (Final) GDP Chain Price SAAR Y/Y (Final) Initial Claims SA Wholesale inventories SA M/M (Preliminary) Kansas City Fed Manufacturing Index	Core PCE Deflator M/M Core PCE Deflator Y/Y Personal Consumption Expenditure SA M/M Personal Income SA M/M Michigan Sentiment NSA (Final)
RoW		FR – Markit PMI Manufacturing SA (Prelim) FR – Markit PMI Services SA (Prelim) GE – Markit PMI Manufacturing SA (Prelim) GE – Markit PMI Services SA (Prelim)	FR – Business Climate Index GE – Ifo Current Assessment SA GE – Ifo Business Climate SA GE – Ifo Expectations SA	GE – Gfk Consumer Confidence SA FR – Registered Job Seekers	FR – Consumer Confidence Survey FR – Manufacturing Business Climate Index

Central Bank Meetings

Bank of England	6 th August 2020
European Central Bank	16 th July 2020
Federal Reserve	29 th July 2020

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