

# The Noise, the Numbers & the Nuance

Weekly Market Update | 05 June 2020

*Welcome to our weekly newsletter, where we summarise the key market developments over the last seven days.*



## The Noise

- Market strength has persisted this week, driven in part by some encouraging improvement in the most recent PMI (Purchasing Managers' Index) data. The PMI shows economic trends by country in the manufacturing and services sectors. The rather promising data indicates that businesses are starting to look forward to more positive times ahead as lockdown measures continue to ease.
- Data released by the ADP Research Institute on Wednesday showed a 2.76 million loss of jobs in the USA over the last month. This might sound disastrous until compared with the median projection of 9 million jobs lost. The numbers being favourable to consensus estimates contributed to the sustained US market rally in all but the most distressed assets.
- Tensions between the US and China heightened this week, leaving the Phase 1 trade deal agreed upon earlier this year hanging by a thread. Washington and Beijing are locked in a series of disputes over a range of issues including trade, investment, security, education, the status of Hong Kong, and even the origins of the Coronavirus.



## The Numbers

GBP Performance to 04/06/20	1 Week	YTD
<b>Equity GBP Total Return (MSCI)</b>		
UK (MSCI UK)	2.0%	-15.4%
Europe (MSCI Europe)	3.4%	-6.0%
US (MSCI USA)	0.6%	2.6%
Japan (MSCI Japan)	-1.6%	-0.7%
Emerging Markets (MSCI Emerging)	4.7%	-5.9%
<b>Fixed Income GBP Total Return</b>		
UK Government (Barclays Sterling Gilts Index)	-1.6%	8.1%
Investment Grade Hedged (Barclays Global Aggregate Corporate Bond Index)	0.6%	1.3%
High Yield Bonds Hedged (Barclays Global High Yield Index)	2.2%	-5.2%
<b>Currency moves</b>		
GBP vs USD	2.2%	-5.0%
GBP vs EUR	-0.1%	-6.0%
GBP vs JPY	3.7%	-4.6%
<b>Commodities GBP return</b>		
Gold (in £)	-2.4%	18.9%
Oil (in \$)	8.7%	-33.1%

Source: Bloomberg, data as at 04/06/2020



## The Nuance

The Noise this week paints a relatively optimistic picture of the state of the world economy. Readers should exercise caution and be wary of being lulled into a false sense of security; a one-month loss of 2.76m jobs might look rosy relative to the 9m analyst estimates, but can hardly be considered good news. It's still a long road ahead.

When prices were very low in the depths of March, there was easy money to be made. By "easy" we mean that those investors spending time doing the necessary analysis could determine that markets priced in an extremely pessimistic outcome and provided a significant margin of safety. For a brief period, it seemed investors were almost unable to believe that the world would ever look the same again. Amidst such panic and pessimism, it was relatively easy to find bargains.

In the last few weeks, investors have flooded into defensive stocks and more recently into cyclical assets too. Consequently, these asset prices now reflect a more optimistic outcome. Investors at this stage need to be correct about the speed of recovery in the economy and in corporate earnings to make investments successful as higher prices have eroded the margin of safety.

Against a backdrop of increasing optimism and confidence that we can adapt to life with this virus, we continue to take a measured approach, encouraged by the positive steps taken but expecting one step back for every two steps forward. Our portfolios continue to consist of extremely high-quality assets which provide valuable products and services and the ability to grow long term wealth.



## Quote of the week

*"They were still intact and we don't think there is any risk of contamination or spread."* Dheeraj Raj, Superintendent of the Meerut Medical College.

A gang of monkeys escaped a lab in Delhi with Covid-19 test samples after attacking a lab assistant. It's rare that the quote of the week comes straight out with the full story, but in this case there's just so much to enjoy that it seemed like a missed opportunity not to try to cram it all into one sentence. The bizarre incident saw the troop of primates launch their attack near Meerut Medical College in Delhi, India. One of the monkeys was later spotted in a tree chewing one of the sample collection tests. The undamaged kits were later recovered and were found intact.

Source: [news.sky.com](https://www.news.sky.com)

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