

The Noise, the Numbers & the Nuance

Weekly Market Update | 12 June 2020

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



The Noise

- Data released this week shows that the number of Covid-19 cases has increased in 21 US states over the last fortnight. As much of the country continues to take steps towards reopening businesses, recent protests have also brought people into close proximity with one another. It's too soon to make drastic statements but this could be the early signs of a second wave of infections which governments have been so keen to avoid as they lift lockdown rules.
- The UK's GDP fell 20.4% in April against the backdrop of an economy paralysed by the Coronavirus lockdown. The one-month fall is the largest on record, surpassing drops experienced in the wake of the 2008 crisis. Given the extent of economic inactivity over the course of April, this drop should not come as a surprise to investors.
- The Federal Reserve Chairman Jerome Powell this week declared that the US faces a "long road to recovery". The median expectation of the Fed's policymakers is that it will be 2022 before this year's GDP losses are fully recovered; that suggests more than two years of lost growth. Monetary and fiscal support continues to work overtime to support asset prices in the face of an ominous economic outlook.



The Numbers

GBP Performance to 11/06/20	1 Week	YTD
Equity GBP Total Return (MSCI)		
UK (MSCI UK)	-3.9%	-18.6%
Europe (MSCI Europe)	-3.3%	-9.1%
US (MSCI USA)	-3.6%	-1.1%
Japan (MSCI Japan)	1.1%	0.4%
Emerging Markets (MSCI Emerging)	0.3%	-5.6%
Fixed Income GBP Total Return		
UK Government (Barclays Sterling Gilts Index)	2.0%	10.3%
Investment Grade Hedged (Barclays Global Aggregate Corporate Bond Index)	0.9%	2.2%
High Yield Bonds Hedged (Barclays Global High Yield Index)	-0.1%	-5.3%
Currency moves		
GBP vs USD	0.0%	-4.9%
GBP vs EUR	0.4%	-5.7%
GBP vs JPY	-2.0%	-6.5%
Commodities GBP return		
Gold (in £)	0.7%	19.8%
Oil (in \$)	-3.1%	-35.2%

Source: Bloomberg, data as at 11/06/2020



The Nuance

As an investor, it's rarely a good idea to anchor yourself too strongly to one particular outcome; prudent investing requires that all potential outcomes are considered and analysed. When the FTSE 100 dropped almost 11% on 12th March, it was apparent that fear and pessimism had taken a choke-hold over markets. It's important to remember that sentiment can be overly optimistic just as easily as it can be too pessimistic. The reality is usually a moderate middle ground.

It can be said with relative certainty that we will eventually recover from the effects of the Coronavirus; what is far less certain is how quickly this return to normality will ensue. This realisation doesn't mean that the eventual recovery should be called into question nor that asset prices will retest their March lows, but as increasingly worrisome public health and economic news sways markets, short-term corrections are a possibility which might prove to be a buying opportunity if valuations become more attractive.

The short-term uncertainty of how quickly we'll return to normal has to be balanced against the longer-term desire to grow wealth and preserve it against inflation. History shows us that investing in quality, durable businesses protects wealth against inflation over the long-term. However, investors need to be willing to weather storms of volatility and withstand occasional drawdowns. As long-term investors, we adhere to our consistent investment framework, allowing us to keep discipline even as markets fluctuate, ensuring client assets are best placed to grow over time.



Quote of the week

"The donkey has been arrested as it has been named in the FIR along with other suspects." Station House Officer of Rahim Yar Khan Police Station.

Police in Pakistan have arrested a donkey on gambling charges after accusing it of being involved in a race that people watched and placed bets on. In the bizarre story, a video of the animal being tied up outside a police station has gone viral. Eight men were also arrested in the same case and were granted bail the day after. On Wednesday the court handed custody of the donkey back to its owner on condition of safe-keeping until the case was decided.

Source: [bbc.co.uk](https://www.bbc.com/news/health-55844444)

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