

The noise, the numbers & the nuance

Weekly Market Update | 26 June 2020

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



The noise

- Markets faltered this week over concerns of a second wave of infections spiking in various global locations. The delicate balance of easing lockdown measures vs. the health risks of doing so hangs by a thread as markets ponder whether the spreading coronavirus could force policy makers to slow the pace or even reverse business re-openings.
- At the same time, trade tensions have begun to resurface between the European Union and the U.S. The White House is weighing new tariffs on \$3.1 billion of exports from France, Germany, Spain and the U.K. The American Trade Representative wishes to impose new tariffs on European exports such as olives, beer, gin and trucks, while increasing duties on products including aircrafts, cheese and yogurt. The EU in turn is debating whether to keep the door shut to American travellers this summer.
- At home, Boris Johnson gave cause for cheer as he said pubs, restaurants and hotels can reopen on July 4 and the two metre rule is relaxed to '1 metre plus'. The knock-on effect of such easing measures played out quite remarkably on Brighton beach where thousands of visitors flocked to bathe on the hottest day of the year. The government has said if measures are not observed, public areas such as this will simply close.



The numbers

GBP Performance to 25/06/20	1 Week	YTD
Equity GBP Total Return (MSCI)		
UK (MSCI UK)	-1.4%	-18.0%
Europe (MSCI Europe)	-1.0%	-7.1%
US (MSCI USA)	-1.0%	3.6%
Japan (MSCI Japan)	-1.7%	-0.1%
Emerging Markets (MSCI Emerging)	1.0%	-2.8%
Fixed Income GBP Total Return		
UK Government (Barclays Sterling Gilts Index)	1.0%	10.2%
Investment Grade Hedged (Barclays Global Aggregate Corporate Bond Index)	-0.1%	2.6%
High Yield Bonds Hedged (Barclays Global High Yield Index)	-0.5%	-4.9%
Currency moves		
GBP vs USD	0.0%	-6.3%
GBP vs EUR	-0.1%	-6.4%
GBP vs JPY	0.2%	-7.6%
Commodities GBP return		
Gold (in £)	2.4%	24.1%
Oil (in \$)	-0.9%	-29.1%

Source: Bloomberg, data as at 25/06/2020



The nuance

Markets this week are taking a pause as they digest the dual effects of the stabilisation of money printing as central bank balance sheets held steady, and the uptick in prevalence of the virus as measures to ease lockdown begin in earnest.

Things are beginning to open up around the world, at the same time, the number of cases is starting to pick up in harmony so it's unclear whether a second wave will become a major issue. But equally, there seems to be a political will to persevere, despite the risks to health, and that balance has shifted slightly towards the economy, rather, away from health.

It still feels like it is going to be a long slog to get through this and return to a proper normal and it that sense financial markets are up with events. Safe haven assets are high and risk assets have followed closely behind so as with last week our over-riding message is an exercise in patience.

Corporate news flows was light this week so the moves in the market have been primarily sentiment driven. We continue to monitor all our holdings and look forward to reporting season around the corner to understand how our portfolio companies have emerged from the depths of the crisis.

We also maintain our search for finding attractively valued companies with pricing power in their markets, selling products which will remain in demand, these being a vital part of our portfolios and what allows investors to grow their wealth.



Quote of the week

"I did not freely enter into the risks relating to this injury.. I was kissed before I was informed of any cold sore...."

Martin Ashley Conway, cold sore 'victim'

The price of a kiss has been specifically determined this week as a personal trainer from Paddington is suing a woman he went on a date with for the princely sum of £136,328. Mr Conway said Jovanna Lovelace failed in her "moral, ethical and legal duty" by not telling him she had an active cold sore before they snogged during a romantic rendez-vous in London last year. It seems to have hit a sore spot as his claim includes over £100,000 for fortnightly therapy sessions he says he needs until the age of 79 because "the lifelong virus" has blighted his career prospects and left him at risk of mental health issues. The compensation claim will be considered at a further hearing later this year, until then the defendant is biting her lip (though her lawyers call the case an "abuse of the process of the court").

Source: telegraph.co.uk

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