

# The noise, the numbers & the nuance

Weekly Market Update | 10 July 2020

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



## The noise

- For those of you who've spent the last few months of lockdown wishing you had a second house by the sea, now is the time to go out and buy it! UK Chancellor Rishi Sunak has announced a series of Coronavirus recovery measures including job retention bonuses for employers, a £2bn scheme to create jobs for young people and a temporary change to stamp duty. These measures may alleviate short-term pressures but are unlikely to change the longer term dynamics of the economic recovery.
- Two of the UK's biggest high street retailers, John Lewis and Boots, have announced 5,300 job cuts between them. For Boots, this cut represents about 7% of its workforce. Despite the recovery in financial markets, we are in the midst of an economic recession and these announcements serve as reminders that unemployment will likely remain elevated for some time.
- Localised spikes in infection rates are becoming evident as Melbourne re-enters lockdown and cases pick up in South Africa and India. These are clearly a challenge for authorities and populations to deal with but localised lockdowns are containing these spikes to pockets of infection far from the rate of spread observed earlier this year.



## The numbers

GBP Performance to 09/07/20	1 Week	YTD
<b>Equity GBP Total Return (MSCI)</b>		
UK (MSCI UK)	-3.1%	-19.2%
Europe (MSCI Europe)	-1.8%	-6.9%
US (MSCI USA)	-0.2%	4.7%
Japan (MSCI Japan)	0.2%	-1.4%
Emerging Markets (MSCI Emerging)	4.4%	3.2%
<b>Fixed Income GBP Total Return</b>		
UK Government (Barclays Sterling Gilts Index)	0.2%	9.7%
Investment Grade Hedged (Barclays Global Aggregate Corporate Bond Index)	0.7%	3.9%
High Yield Bonds Hedged (Barclays Global High Yield Index)	0.4%	-4.3%
<b>Currency moves</b>		
GBP vs USD	1.1%	-4.9%
GBP vs EUR	0.7%	-5.5%
GBP vs JPY	0.8%	-6.2%
<b>Commodities GBP return</b>		
Gold (in £)	0.5%	25.0%
Oil (in \$)	-3.7%	-28.5%

Source: Bloomberg, data as at 09/07/2020



## The nuance

As has been apparent over the last few months, the recovery in financial markets has raced ahead of the economic recovery. Ubiquitous job losses and completely unprecedented government policies (such as £10 vouchers for dining out during the week) stand to remind us that the V-shaped stock market recovery is yet to be observed within the world's economies. Investors should expect dampened returns whilst the economy catches up with financial markets.

Against this weak economic backdrop, individuals must be aware of what is happening to their wealth. Cash in the bank pays almost zero interest. With yields approaching zero, government bonds now offer measly returns even if economic conditions deteriorate, the environment in which these assets would normally prosper. Anyone with wealth that they have toiled to acquire and spent years saving away is forced to take some investment risk in order to preserve and grow their spending power.

In these conditions, anyone with capacity for risk must become an investor. This is no bad thing however; even in a less extreme environment, sitting on piles of cash is not going to grow wealth. The question now becomes *how* one should invest, taking an appropriate level of risk to preserve their spending power.

Our high conviction, active approach to investing allows us to respond appropriately to these market dynamics, ensuring risks are understood and managed appropriately. Whilst returns are dampened and bargains are hard to come by, our disciplined commitment to purchasing high quality companies ensures we are well-positioned to find pockets of value in markets.



## Quote of the week

*"We must now realise the promise of America by trusting God, unifying our vision and building our future. I am running for president of the United States."*

**Kanye West**, American rapper.

Just when you thought 2020 had run out of surprises, this happens. Rapper Kanye West has declared his candidacy for US president. After businessman and reality TV star Trump won the election in 2016, perhaps the rapper's chances are not as slim as they might appear. West, a 21-time Grammy award winner, was immediately endorsed by Elon Musk, the chief executive of electric car maker Tesla. West made headlines last week after declaring "I am so proud of my beautiful wife Kim Kardashian West for officially becoming a billionaire." It appears that at least if he *were* to win, the aura of modesty and humility would persist in the White House.

Source: [independent.co.uk](https://www.independent.co.uk)

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