

The noise, the numbers & the nuance

Weekly Market Update | 17 July 2020

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



The noise

- We remain in a relative news vacuum, but reporting season is slowly getting underway, starting with US banks this week. These companies reported making loan loss provisions (money set aside as an allowance for potentially unpaid debts) but were held up by increased trading revenue due to activity in the fixed income market as investors snapped up bargains.
- Once again this week, equities and fixed income assets continue to push higher with European markets up 3.8%, representative of a sentiment that European governments are handling the relaxation of lockdown measures better than their US counterparts. Emerging markets have struggled for similar reasons.
- There have now been more than 1m confirmed cases in India and 2m in Brazil. The total number of cases in both countries has doubled in less than a month. Despite an increase in daily infections, the death rate in Brazil is largely flat, whilst in India the number of deaths is increasing. These are the significant risks which governments around the world must deal with as they open up their economies.



The numbers

GBP Performance to 16/07/20	1 Week	YTD
Equity GBP Total Return (MSCI)		
UK (MSCI UK)	3.3%	-16.5%
Europe (MSCI Europe)	3.8%	-3.3%
US (MSCI USA)	2.1%	6.9%
Japan (MSCI Japan)	1.6%	0.1%
Emerging Markets (MSCI Emerging)	-2.8%	0.3%
Fixed Income GBP Total Return		
UK Government (Barclays Sterling Gilts Index)	-0.3%	9.4%
Investment Grade Hedged (Barclays Global Aggregate Corporate Bond Index)	0.5%	4.4%
High Yield Bonds Hedged (Barclays Global High Yield Index)	0.5%	-3.8%
Currency moves		
GBP vs USD	-0.4%	-5.3%
GBP vs EUR	-1.3%	-6.7%
GBP vs JPY	-0.4%	-6.5%
Commodities GBP return		
Gold (in £)	0.1%	25.1%
Oil (in \$)	3.0%	-26.4%

Source: Bloomberg, data as at 16/07/2020



The nuance

Sometimes in markets, a cacophony of noise does not necessarily translate to meaningful market movements. Week to week, news flow is significant but markets remain steady despite background chaos. The sea of green week-to-date figures above shows markets continuing to push upwards, defying the economic truth of a spluttering recovery as businesses slowly start to attempt a return to normality.

As corporate news flow picks up, investors will start to receive an indication of how different areas of the economy are navigating what is undoubtedly a tough time for corporates. Stagnant revenue streams are to be expected as economic conditions sluggishly improve. This pick-up in news flow will likely reinforce economic data in telling the story of a far slower recovery than the stock market seems to reflect.

As reporting increases, our highly active approach to investing will enable us to respond appropriately to corporate updates, ensuring each company continues to earn its way into portfolios and that opportunities to enter temporarily mispriced names are not missed. As ever, we remain committed to purchasing only the highest quality businesses selling products and services that are valued by consumers and are well placed to weather this gradual, albeit slow, economic recovery.



Quote of the week

"Had TfL management known, and had the opportunity to remove and protect the installation, we estimate its value as a complete package to be in the region of £7.5 million."

A spokesperson for Transport for London

Transport for London cleaners have accidentally destroyed Banksy's new artwork which appeared on the inside of a London tube carriage this week. The artist unveiled his latest stunt this week on Instagram, sharing a video of the work being created. In the video, titled 'London Underground Undergoes Deep Clean', Banksy wears a hazmat suit and hi-vis vest, before leaving his signature rat image spray-painted onto the interior of a carriage. However, TfL later revealed that staff had cleaned off the work due to its strict no graffiti policy, not knowing it was a Banksy. The installation is thought to have been worth about £7.5m. You'd have thought that might just about be worth waiving a no graffiti policy for.

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

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