

The noise, the numbers & the nuance

Weekly Market Update | 07 August 2020

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



The noise

- For the first time in history, the price of gold topped \$2,000 an ounce as investors continue to look to the safe haven metal amid the pandemic. The gold rush continues as the US prints money at an aggressive rate, instigating fears amongst investors that the reserve currency status of the dollar might be under threat.
- An explosion at a warehouse in the Lebanese capital of Beirut has killed at least 137 people and injured more than 5,000 others. The blast was caused by 2,750 tonnes of ammonium nitrate being stored unsafely, spurring many to accuse the authorities of corruption, neglect and mismanagement. A two-week state of emergency has begun.
- The Bank of England has revised its previously optimistic forecasts, announcing on Thursday that new forecasts show a slower return to pre-pandemic levels. The Bank's central forecast shows GDP more than 5% below pre-crisis levels at the end of this year, only returning to those levels at the end of 2020. It caveated this by stressing that there were significant downside risks to their forecast.



The numbers

| GBP Performance to 06/08/20 | 1 Week | YTD |
|--|--------|--------|
| Equity GBP Total Return (MSCI) | | |
| UK (MSCI UK) | 0.6% | -19.7% |
| Europe (MSCI Europe) | 0.3% | -7.0% |
| US (MSCI USA) | 2.4% | 6.6% |
| Japan (MSCI Japan) | -0.6% | -4.6% |
| Emerging Markets (MSCI Emerging) | 1.5% | 1.6% |
| Fixed Income GBP Total Return | | |
| UK Government (Barclays Sterling Gilts Index) | -0.2% | 10.0% |
| Investment Grade Hedged (Barclays Global Aggregate Corporate Bond Index) | 0.4% | 5.8% |
| High Yield Bonds Hedged (Barclays Global High Yield Index) | 0.8% | -1.4% |
| Currency moves | | |
| GBP vs USD | 0.4% | -0.9% |
| GBP vs EUR | 0.1% | -6.4% |
| GBP vs JPY | 1.1% | -3.7% |
| Commodities GBP return | | |
| Gold (in £) | 5.1% | 37.1% |
| Oil (in \$) | 4.3% | -26.8% |

Source: Bloomberg, data as at 06/08/2020



The nuance

Markets have seen large movements in all directions over recent months, affecting equities, fixed income, currencies and commodities. Against this turbulent backdrop, there is a lot of waiting that investors need to do.

The Bank of England's announcement yesterday exemplifies the struggles economies are still dealing with; a recovery by 2021 seems optimistic. This sentiment has been echoed by most of the individual company news of the last few weeks. It's going to take time for things to recover.

As economies sputter along, gently pushing back towards pre-pandemic levels, corporate earnings will remain dampened. Investors will need to wait patiently for them to restore. Ultimately, patience is a skill all investors must master; allowing time for good decisions to come to fruition is an important part of successfully managing a portfolio.



Quote of the week

"Aliens built the pyramids obv"

Elon Musk, CEO of Tesla and SpaceX

Egyptian experts have hit back at Elon Musk after the SpaceX founder tweeted that aliens "obv" built the pyramids. Egypt's minister of international co-operation, Rania al Mashat, has invited Musk to visit the tombs of the pyramid builders to see for himself. "I follow your work with a lot of admiration. I invite you and Space X to explore the writings about how the pyramids were built and also to check out the tombs of the pyramid builders. Mr. Musk, we are waiting for you." she said. Maybe there is an ulterior motive behind Musk's founding of SpaceX...

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

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