

The noise, the numbers & the nuance

Weekly Market Update | 14 August 2020

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



The noise

- Russian President Vladimir Putin has said that a locally developed vaccine for Covid-19 has been given regulatory approval after less than two months of testing on humans. Experts were quick to raise concerns about the speed of Russia's work, and a growing list of countries have expressed scepticism. Personally, we won't be lining up for a jab just yet.
- This week, Democrat Presidential candidate Joe Biden announced that Kamala Harris would be his running mate for the upcoming election. Success for Biden would make her the first non-white woman to be nominated for national office by a major political party. Success would also mean that Biden would be 81 years old at the end of his first term and 85 at the end of his second if he were re-elected. Harris has to think herself in with a shot at bagging the top job...
- Annual US Consumer Price Inflation (CPI) rose to 1.6% in July versus the consensus estimate of 1.1%. The move resulted in a slight rise in bond yields as fixed income investors demand a higher return from holding the assets given that the future cash streams paid out from owning the bonds will be worth less in real terms.



The numbers

GBP Performance to 13/08/20	1 Week	YTD
Equity GBP Total Return (MSCI)		
UK (MSCI UK)	3.2%	-17.2%
Europe (MSCI Europe)	3.5%	-3.8%
US (MSCI USA)	1.3%	8.0%
Japan (MSCI Japan)	4.0%	-0.7%
Emerging Markets (MSCI Emerging)	-0.3%	1.3%
Fixed Income GBP Total Return		
UK Government (Barclays Sterling Gilts Index)	-2.1%	7.7%
Investment Grade Hedged (Barclays Global Aggregate Corporate Bond Index)	-0.9%	4.8%
High Yield Bonds Hedged (Barclays Global High Yield Index)	0.3%	-1.1%
Currency moves		
GBP vs USD	-0.6%	-1.4%
GBP vs EUR	-0.1%	-6.5%
GBP vs JPY	0.7%	-3.0%
Commodities GBP return		
Gold (in £)	-4.8%	30.6%
Oil (in \$)	1.3%	-25.9%

Source: Bloomberg, data as at 13/08/2020



The nuance

Last week, we extolled the virtues of patience for long-term investors. Since then, it's been satisfying to see this pay off in our portfolios. As the final dribs and drabs of companies report on their earnings, it's been encouraging to see some of our core holdings announcing positive news.

Rightmove saw product sales to estate agencies up 7% year-on-year and web traffic up 50% in June. The share price rose 11% on the day in response to positive financial news and strong demand for the company's product. Whilst it's not time to pop the champagne corks, it's encouraging to see the share price reacting so positively to constructive data.

Intercontinental Hotels Group's cash position was almost unchanged from the end of 2019 despite the tough period, leaving them extremely well positioned to start generating cash flow as hotel capacities climb back towards pre-crisis levels.

Tencent posted another impressive set of quarterly results: the company beat its bottom line estimates by over 20% with a strong pipeline of new games to be released and a portfolio of investments in other companies bearing fruit. Whilst we have been trimming the position on valuation grounds leading into the results, the growth potential for this business remains attractive.

We are of course long-term investors and although these are all short-term successes, they are reward for our analysts' diligent research; we are comforted that results are translating into material share price appreciation.



Quote of the week

"Because my hair – I don't know about you, but it has to be perfect. Perfect."

Donald Trump, US President

Trump has been the culprit of quite a few *Quotes of the Week* over the last month – with good reason. In the latest bizarre turn of events, Trump has corralled the US government into changing the definition of a showerhead to allow increased water flow so that he can improve his haircare routine. Only Trump could possibly think that the solution to a bad hair day is to introduce a new law. In a way, you have to admire his tenacity...

Source: www.bbc.co.uk

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