

# THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 19<sup>th</sup> February 2021



## MACRO

- In the UK, January retail sales were down 8.2% on the year vs. consensus expectations of around 2%
- In Europe, the ECB minutes showed a continued determination to keep stimulus measures in place at the expense of higher prices. The governing council said “a temporary boost to inflation should not be mistaken for a sustained increase, which was still likely to emerge only slowly”
- US data showed that Americans took out a record \$1.2tn worth of mortgages in the final three months of 2020

## STATISTIC OF THE WEEK

This week the average yield on a 10-year US junk bond fell below 4%. To put that in context, that is the same yield that pharmaceutical giant Johnson & Johnson issued debt at in 2011. But spreads are not as low as they were pre-2008. As a function of ultra-low rates, the spread over US Treasuries is around 3.5% compared to 2.5% in 2007

## COMPANY NEWS

- **Rio Tinto** reminded us of the strength of commodity prices over the last year with annual profits up 20% and the announcement of a mammoth special dividend
- **Newmont**, buoyed by the strong gold price, raised its dividend showing the strength of its free cash flow
- **Kering** bucked the trend as, unlike other luxury goods brands, the owner of Gucci saw weak sales in the fourth quarter
- **Nestle** showed the strength of its brands with the pets business growing at 9% and its coffee division doing well

## SMALL-CAP NEWS

**Marlowe**, the governance, risk and compliance and testing, inspection and certification specialists held their Capital Markets Day on Wednesday which was very impressive, and they obviously have their sights on being a much larger company. A corporate Mr Muscle – as they love the jobs that others hate. They have a 3-year target for revenues of £500m (currently £245m) and EBITDA of £100m (currently

£37m) growing organically and through acquisitions. If they hit this target and keep the current valuation (roughly 12x EBITDA – although also targeting margin expansion from 16% to nearer 20%) then the market cap could rise too.

## THIS WEEK IN HISTORY

**1955:** Berkshire Fine Spinning Associates announces that it will acquire Hathaway Manufacturing Company in exchange for 400,000 shares of Berkshire common stock. The new company will be called “**Berkshire Hathaway Inc.**” – ten years later it would be taken over by Warren Buffett

**1971:** Decimalisation day in the UK. The pounds keeps its old name and value but is split into 100 “new” pence each of which was worth 2.4 “old” pence. This wasn’t new: China had been using a decimal system for over 2000 years, and Russia since the early 18<sup>th</sup> century.

## LOCKDOWN LOWDOWN

In a week where data showed that Amsterdam took over London as Europe’s largest share-trading centre, more concerning news, perhaps, from Bordeaux. Daniel Lambert a major British wine agent, who imports up to 2m bottles a year, has struck out at the complicated new system for importing wine from the EU saying that it requires him to answer 64 questions just to import a single bottle of wine

## MARKET DATA

% returns	1 Week	1 Month	1 Year	5 Years
UK Equities (% return GBP)	0.88	-1.25	-9.81	31.70
World Equities (% return GBP)	-1.57	-0.08	8.93	109.61
10 Year US Treasury Yield	1.34	1.10	1.56	1.76
GBP / USD (fx rate)	1.40	1.36	1.30	1.43

As at 19<sup>th</sup> February 2021. Source: Financial Express

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