

THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 13th November 2020



MACRO

- The major news this week was the announcement of a potential Covid vaccine by **Pfizer** and **BioNTech** which sent risk assets sharply higher
- In the UK, third quarter GDP came in at a record 15.5% but is still down by around 9% since the start of the crisis
- 15 Asia Pacific countries signed one of the biggest trade deals in history, covering around a third of the world's population and economy

STATISTIC OF THE WEEK

Hot on the heels of data showing that momentum and growth stocks reached their highest level of outperformance versus value ever, this week saw the sharpest ever reversal of this trend. So called "factor volatility" spiked sharply as JP Morgan research showed that value enjoyed a 6.4% uplift, its strongest one-day gain since the 1980s, while the momentum factor fell 13.7%, its worst ever loss.

COMPANY NEWS

- **Taylor Wimpey** and **Vistry** both made very positive comments about UK housebuilding and construction activity and the shares and sector rallied strongly
- **Berkshire Hathaway's** results were buoyed by the performance of the investment portfolio which more than offset the disappointing performance from the operating businesses. Their **Apple** position, now \$116bn of the \$248bn investment portfolio, drove the performance over the quarter
- **Cisco** shares performed well after they released fiscal first-quarter earnings with better-than-expected results and a strong forecast.

SMALL-CAP NEWS

The potential vaccine announcement also polarised the smaller end of the market. We have mentioned the diagnostic companies (such as **Avacta** and **Novacyt**) before and their shares sold off sharply in response to the news. It was interesting to see that the CEO of the latter, Graham Pullis, used the pull-back to buy £500,000 worth of shares.

THIS WEEK IN HISTORY

1867: The stock market ticker is invented by Edward Calahan, who configured a telegraph machine to print stock quotes on streams of paper tape

1983: Microsoft introduces its Windows operating system. Windows Version 1.01 cost \$99 and took an average computer at the time 15 seconds to switch between programs

LOCKDOWN II

Sensible observations that we have gathered in response to the big news of the week surrounding the potential vaccine include:

- 1) The vaccine is 90% efficient at day 7 – it is less clear how effective it will be after that
- 2) It is unclear whether the vaccine gives effective mucus protection meaning that the virus could still be transmitted to others
- 3) A vaccine could change the outlook for industrial companies that have been hurt by the economic decline brought on by the virus. These companies have cut inventories to ultra-low levels and a vaccine could drive a substantial re-stocking cycle

In any case, as we understand it from medical experts, this is a spectacular result that should give the world hope that life could return to normal some time next year. Value and small-cap stocks responded very positively to the news

MARKET DATA

% returns	1 Week	1 Month	1 Year	5 Years
UK Equities (% return GBP)	7.59	6.47	-12.62	22.79
World Equities (% return GBP)	2.32	1.41	11.17	99.46
10 Year US Treasury Yield	0.89	0.74	1.88	2.28
GBP / USD (fx rate)	1.32	1.29	1.29	1.52

As at 13th November 2020. Source: Financial Express

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