

THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 23rd October 2020



MACRO

- In the UK, inflation figures came in a touch higher than expectations at 0.5% but still remain very low
- UK government borrowing soared to a record high in the first six months of the financial year as the extra spending needed to tackle the pandemic increased the UK's debt-to-GDP ratio to its highest level in 50 years
- China's economy expanded 4.9% year on year in the third quarter as industrial growth helped the country recover from the coronavirus pandemic

STATISTIC OF THE WEEK

The aggregate number for UK dividends in Q3 shows a fall of 50% with the forecast for UK dividends to be down 40% for the calendar year

COMPANY NEWS

- **Reckitt Benckiser** posted a 13% rise in sales as their health and hygiene divisions soared
- **AT&T** reported weaker numbers from its media business, which were offset by stronger than expected gains in new phone subscribers as HBO Max streaming service became free on certain phone plans
- **Netflix** shares closed down after showing last quarter's subscription rates down sharply on the year and well below the consensus estimate

FUNDS

A European equity investment trust showed us some Morgan Stanley research suggesting that ESG is not just a short-term fad. Analysing the advance of other investment themes such as TMT in the late 1990's and BRICs in the 2000's, suggests that the support that ESG integration can lend to certain equity sectors could have a much longer way to go

SMALL-CAP NEWS

ITM Power announced a large equity placing this week, raising £135m plus an additional £30m from the Italian

company **SNAM**, the second largest gas company in the world. The ITM electrolyser, which turns energy and water into hydrogen, is a Proton Exchange Membrane (PEM) rather than alkaline design which gives it an advantage when discussing green hydrogen (produced using renewables). We have previously mentioned the ITM Gigafactory in Sheffield which will open later this year but these funds allow for potentially more sites (UK and Europe) and new divisions, such as ITM Motive, to be given more funds for growth which replace some of the lost grant money they would have expected to receive from the EU

THIS WEEK IN HISTORY

1962: President John F. Kennedy announces the quarantine of Cuba beginning the standoff and negotiations that became known as the Cuban Missile Crisis

1987: "Black Monday" on Wall Street as the US stock market experiences its worst day in history. The Dow Jones Industrial Average dropped 508 points, more than 22% (equivalent to a 6,200 point drop today)

RE-OPENING TIMES

The #workfrombars initiative has been set up to help struggling bars and restaurants rent space to office workers fed up with working from home. Brewdog sites around the country are offering sites for as little as £7 a day with unlimited coffee and a pint of well-earned Punk IPA at the end of a hard day's work

MARKET DATA

% returns	1 Week	1 Month	1 Year	5 Years
UK Equities (% return GBP)	-2.12	-2.18	-19.47	6.30
World Equities (% return GBP)	-2.03	2.53	10.22	88.04
10 Year US Treasury Yield	0.85	0.68	1.77	2.16
GBP / USD (fx rate)	1.30	1.27	1.29	1.53

As at 23rd October 2020. Source: Financial Express

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