

# THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 2<sup>nd</sup> October 2020



## MACRO

- Donald and Melania Trump both tested positive for Covid-19 and enter a period of quarantine
- New applications for unemployment benefits in the US fell slightly last week but remained between 800,000 and 900,000 for the fifth straight week, reflecting a labour-market recovery that is losing momentum
- In the UK Q2 GDP was revised up a bit from a 20.4% decline to a decline of 19.8%; meanwhile the household saving ratio increased to a record 29.1%, up from 9.6% in the previous three months

## STATISTIC OF THE WEEK

News of President Trump testing positive for Covid draws attention to the 25<sup>th</sup> Amendment. Forged in the shadow of JFK's assassination, amid heightened Cold War tensions, the 25<sup>th</sup> Amendment, section 3, was designed to protect the government from random occurrences like sudden illness or a failed assassination attempt.

Section 3 has been invoked only three times in US history by two different presidents, both involving a father and son, and for the same reason.

In 1985, former Vice President George Bush briefly assumed presidential responsibilities while the then President Regan underwent a colonoscopy.

More recently, President George W. Bush invoked the amendment twice during colonoscopies in 2002 and 2007, temporarily turning over power to then Vice President Dick Cheney.

## COMPANY NEWS

- **Compass Group's** trading statement showed modest progress over the last three months with revenues down around 36% from last year, an improvement on the previous quarter
- **Pepsi** reported third quarter results ahead of consensus estimates. Organic revenue rose 4.2% with beverages organic growth of 3% better than the 1% decline expected

- **Diageo** closed up on the week after issuing a trading update ahead of its AGM. The company stated that the outlook for the first half of the fiscal year had improved since the year end, reflecting a good start to the year.

## FUNDS

Three new investment trust launches this week, all in the UK equity sector. This is unusual as over the last decade there have been very few new trusts launched to invest in UK equities.

## SMALL-CAP NEWS

In the small-cap space some of the top performers this year have been involved in two themes, the potential of hydrogen and Covid-19 testing. With the former we mentioned **ITM Power** last week and it was the turn of **Ceres Power** to release their results. Their print was in line and highlights included progress with their partnerships with Bosch and Weichai. This particular JV should put them near pole position to benefit from China's \$2.5bn hydrogen power plan.

We had results from **Avacta** on Monday who have a cancer therapeutic department but currently the market is focused on the Covid-19 diagnostic potential of their antigen test. The results were pretty resolute but emphasised there will be RNS's through to the end of the year updating the market with progress on scaling up the manufacturing process.

## THIS WEEK IN HISTORY

**1952:** the New York Stock Exchange discontinues Saturday trading and adds a half hour to the end of trading during the week.

**1981:** 10 Year US Treasuries hit an all-time high yield of 15.84%. At the time the Federal Funds Rate sat at 17%, CPI inflation was around 11%, and 6-month bills yielded only 0.5% less than 30-year bonds

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## MARKET DATA

% returns	1 Week	1 Month	1 Year	5 Years
<b>UK Equities (% return GBP)</b>	1.11	-0.56	-15.89	14.46
<b>World Equities (% return GBP)</b>	-0.18	-2.39	8.29	95.37
<b>10 Year US Treasury Yield</b>	0.70	0.66	1.60	1.99
<b>GBP / USD (fx rate)</b>	1.29	1.33	1.23	1.52

As at 2<sup>nd</sup> October 2020. Source: Financial Express

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