

THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 12th June 2020



MACRO

- UK retail sales only fell c. 5% on May, better than expected
- Several US states, including Texas, Florida, and California, reported a surge in daily Covid-19 cases and hospitalizations.
- The S&P 500 turned positive for the year and the NASDAQ broke through 10,000 earlier in the week but both sold off sharply towards the end of the week

TV TIMES

Our very own Simon King was on Sky News on Tuesday morning questioning the short-term sustainability of the recent market rally particularly when bankrupt stocks such as **Hertz** and **JC Penney** had doubled in price on Monday

COMPANY NEWS

- **ITM Power** continues to impress as it showed a record backlog of orders of £52.4m and a tender pipeline of £263m
- Rumors circulated of a mega merger between **Astra Zeneca** and **Gilead Sciences**
- Shares in **Wells Fargo** fell after their CFO stated that he expected net interest income to decline 11% this year as a result of lower interest rates whilst also noting that the bank would set aside more for bad loans than the \$4billion announced in the first quarter
- **Lululemon** showed the strength of their digital franchise but this in no way offset store closures so revenue was down 17% for the quarter

SMALL-CAP NEWS

It was interesting to see Mike Ashley continuing to buy up huge swathes of the UK high street with an announcement that he had bought a stake in **Hugo Boss**. We wonder whether he will continue to upgrade his portfolio of brands that include **Sports Direct**, **House of Fraser**, **Flannels**, **Evans Cycles** and more recently **Jack Wills**?

FUNDS

Research sent to us this week from **AQR Capital Management** suggests that a significant portion of fixed interest manager outperformance can be explained by passive exposure to credit risk and that their credit exposure meaningfully reduces the diversification benefit of fixed income. During the worst 10 quarters for equities, active fixed income strategies have underperformed their benchmarks, at times significantly.

THIS WEEK IN HISTORY

1977: Apple ships its first Apple II computers

2019: Over one million people protest in Hong Kong over proposed new extradition laws to China in one of largest-ever protests in the city

LOCKDOWN LOWDOWN

A contact who runs one of the South East's biggest building merchants says that although their sites have fully reopened, they cannot operate at full capacity because of social distancing. While they were delivering eight truckloads of concrete blocks to the new Google site pre-Covid that is now down to three, as builders on site at two metres apart are unable to lay the blocks quickly enough.

MARKET DATA

% returns	1 Week	1 Month	1 Year	5 Years
UK Equities (% return GBP)	-5.61	1.89	-15.19	7.33
World Equities (% return GBP)	-3.06	4.87	5.28	71.78
10 Year US Treasury Yield	0.71	0.69	2.13	2.39
GBP / USD (fx rate)	1.25	1.22	1.27	1.56

As at 12th June 2020. Source: Financial Express

Vermeer Partners

130 Jermyn Street, London, SW1Y 4UR

T +44 (0)20 7123 5200

E info@vermeerllp.com

THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 12th June 2020



This publication has been produced by Vermeer Investment Management Limited (VIM) trading as Vermeer Partners. It is provided for information purposes only. VIM makes no express or implied warranties and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this publication. VIM will not treat unauthorised recipients of this publication as its clients. Prices shown are indicative and VIM is not offering to buy or sell or soliciting offers to buy or sell any financial instrument.

Without limiting any of the foregoing and to the extent permitted by law, in no event shall VIM, nor any of its officers, directors, partners, or employees, have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this publication or its contents.

Other than disclosures relating to VIM, the information contained in this publication has been obtained from sources that VIM believes to be reliable, but VIM does not represent or warrant that it is accurate or complete. VIM is not responsible for, and makes no warranties whatsoever as to, the content of any third-party website referred to herein or accessed via a hyperlink in this publication and such information is not incorporated by reference.

The views in this publication are those of the author(s) and are subject to change. VIM has no obligation to update its opinions or the information in this publication. This publication does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the client who receives it. Any securities discussed herein may not be suitable for all investors. VIM recommends that investors independently evaluate each issuer, security or instrument discussed herein and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

This material has been issued and approved for distribution in the UK and European Economic Area by VIM.

©2019 Vermeer Investment Management Limited. All rights reserved. No part of this publication may be reproduced or redistributed in any manner without the prior written permission of VIM.

VIM is authorised and regulated by the Financial Conduct Authority (FRN: 710280) and is incorporated in England and Wales (company number: 09081916).