

THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 7th August 2020



MACRO

- In the UK, the Bank of England kept rates on hold and upgraded their forecasts on economic growth while predicting more of a 'U' as opposed to 'V' shaped recovery
- Deputy Governor of the Bank of England, Dave Ramsden, refused to rule out negative interest rates
- In the US, the government outlined much bigger than anticipated numbers for US treasury issuance

STATISTIC OF THE WEEK

With bond yields grinding ever lower, the Financial Times recently calculated that 86% of the global bond market is now yielding under 2%, compared with in 2008, when over 70% of the global bond market yielded above 4%.

Just 3% of the investable bond market today yields more than 5%, a level which is at all-time lows and represents a massive drop from only a few years ago.

COMPANY NEWS

- **Legal & General** reported a 6% fall in operating profit for the first half of 2020 and continued to hold its dividend, unlike most UK insurers
- **IWG** showed revenue growth for the first half of 2020 and good cash management
- **BP** halved its dividend, which was less than Shell had previously cut by, but they were starting from a lower base anyway

FUNDS

A meeting with a European logistics fund showed how the combined forces of urbanisation and e-commerce are driving demand for logistics warehouses into more urban locations at a rapid pace. This is creating a demand and supply mismatch which will need local government intervention to ensure cities are provided with the economic infrastructure they need to survive, while minimising the detrimental effects on the environment and social infrastructure.

THIS WEEK IN HISTORY

1945: An atom bomb is dropped on Nagasaki. Global stock markets rally as they see an end to World War II

1974: The day after US President Nixon announced his resignation, stock markets fall. The Dow Jones Index drops nearly 1% to finish at 777.30 and stocks continue their sharp decline for the next month, falling to 648, a nearly 19% decline over the next few weeks

RE-OPENING TIMES

Shadow health secretary Jonathan Ashworth said it is a "national priority" to get children back into the classroom, after scientists warned there may have to be trade-offs for schools to reopen.

A member of the government's scientific advisory group, SAGE, has suggested one trade-off might be to shut pubs.

MARKET DATA

% returns	1 Week	1 Month	1 Year	5 Years
UK Equities (% return GBP)	2.20	-2.74	-14.58	6.50
World Equities (% return GBP)	2.82	1.29	5.62	75.89
10 Year US Treasury Yield	0.57	0.62	1.74	2.24
GBP / USD (fx rate)	1.30	1.26	1.20	1.55

As at 7th August 2020. Source: Financial Express

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