

# THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 5<sup>th</sup> June 2020



## MACRO

- US consumer spending plummeted 13.6% in April – the steepest decline in recorded history
- Meanwhile at the end of the week, the US unemployment rate for May fell unexpectedly
- At €600bn the ECB announced a modestly higher bond-buying programme than expected
- Stock markets continued to head higher

## STATISTIC OF THE WEEK

A chart by Ned Davis shows that on May 26<sup>th</sup> 91.7% of S&P 500 stocks moved above their 50-day moving average. This has happened 19 times since 1970 and, 12 months later, markets have been higher every one of those 19 times. There is no such thing as a perfect indicator, but this has to be considered close to being one of them.

## COMPANY NEWS

- **AB Foods** are slowly reopening their Primark chain
- **Amazon** launched a \$10bn bond issue including three-year paper at 0.4% - the lowest ever corporate rate in US history
- **Remy Cointreau** released a positive statement saying that turnover was down less than expected
- **Adidas** said that 70% of their stores are now open and in May they saw increased sales in China compared to last year

## SMALL-CAP NEWS

The **Fevertree** brand has saturated the UK market, yet last year with growth rates declining (only in the UK) so did the share price. However, the company gave a very positive update this week with its US Nielsen data, which covers just under half of Fevertree's off-trade sales, reporting 98% growth year-on-year in the four weeks to 18<sup>th</sup> April and 96% in four weeks to 16<sup>th</sup> May. A fund we follow closely said that they could see the share price multiplying by five from here.

## FUNDS

A conversation with an infrastructure debt fund showed us that a combination of warm weather, the closure of shops and other businesses, and strict lockdown measures has conspired to force UK power prices down and could dampen future investment in renewable energy. But this has the potential to restrict future additions to renewable output, impacting supply and, in turn, could support power prices.

## THIS WEEK IN HISTORY

**1883:** John Maynard Keynes is born. As well as being a highly influential economist, he was a good stock picker - under his management, the active component of the Kings College Cambridge portfolio outperformed its benchmark index by an average of 8% a year over a quarter of a century

**1944:** D-Day: the allied invasion of Europe begins. News reaches the US at 3am and the stock market opens that morning with a two-minute moment of silent prayer

## LOCKDOWN LOWDOWN

We had been wondering whether **Zoom**'s massive increase in users had resulted in higher sales or was it purely penny pinchers looking to use the first 45 minutes for free? Well, first quarter total revenue of \$328.2 million, up 169% year-on-year answered that.

## MARKET DATA

% returns	1 Week	1 Month	1 Year	5 Years
UK Equities (% return GBP)	6.55	10.77	-8.22	13.18
World Equities (% return GBP)	2.56	10.15	10.10	69.71
10 Year US Treasury Yield	0.94	0.66	2.12	2.41
GBP / USD (fx rate)	1.27	1.24	1.27	1.53

As at 5<sup>th</sup> June 2020. Source: Financial Express

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