

THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 23rd July 2021



MACRO

- In the UK, better borrowing figures for June, certainly compared to last June, but still a very large number and a record jump in debt interest payments to £8.7bn
- In the US, it is starting to become clear how slowly the vaccination rates are moving up, particularly in Republican voter states
- Russia's central bank raised rates by 1%, its largest increase for more than six years and the fourth consecutive tightening of policy in a bid to curb rising inflation

STATISTIC OF THE WEEK

Under Citi's latest forecasts, the post-COVID global recovery is faster but does not end up being more complete due to permanent economic damage triggered by the pandemic. By the mid-2020's they expect the cash size of the economy to be 3% smaller than under official pre-Covid forecasts

COMPANY NEWS

- **Netflix** showed that subscriber growth has continued to slow but dropped intriguing hints about getting into the video games market
- **Unilever** shares were weaker after saying that margins were now expected to be "around flat" compared to its prior forecast for a slight increase, following further cost inflation emerging through the quarter
- **AT&T** increased full year guidance, now seeing revenue growth of 2-3% with adj. EPS growth to be in the low to mid-single digits whilst HBOMax subscriber guidance was also increased
- **Coca Cola** increased guidance, now seeing FY organic revenue growth of 12-14% and EPS growth of 13-15% with management citing a strong rebound in "away from home channels"

FUNDS

After mentioning the **Urban Logistics** raise recently and the great work the management team are doing in a sector that

has the wind behind it, this week an honourable mention to Stephen Inglis and his colleagues at **Regional REIT** who are still sailing into a head wind in their particular sector (regional offices). Last week they announced they have turned a site in Leeds around very profitably, selling off two plots and disposing of Arena Point for £10.65m, a 15.8% uplift vs 31/12 valuation. This week they reported they had sold more of their industrial exposure at a good uplift to book cost and would be reinvesting more of their focus to regional office buildings for a further increase in yield.

THIS WEEK IN HISTORY

1914: European stock markets start to fall in anticipation of the outbreak of war. Austria sends an ultimatum to Serbia – punish and suppress those responsible for Archduke Franz Ferdinand's murder, or be invaded

1952: The 53 day strike by US steel workers comes to an end as both sides agree on pay increases and set prices for steel

RE-OPENING TIMES

The IHS Markit's "flash" purchasing manager's index showed a sharp fall from 62.2 to 57.7 in July as around 1.1m people in the UK were asked to self-isolate by the NHS Covid app in the week to July 14. Tim Martin of **JD Wetherspoon** said 5,000 of his 40,000 staff were pinged by the app last week alone, causing labour shortages at some of the chain's 925 venues

MARKET DATA

% returns	1 Week	1 Month	1 Year	5 Years
UK Equities (% return GBP)	-0.71	-1.21	15.87	22.76
World Equities (% return GBP)	0.99	3.30	24.59	90.67
10 Year US Treasury Yield	1.28	1.50	0.59	1.57
GBP / USD (fx rate)	1.37	1.40	1.27	1.31

As at 23rd July 2021. Source: Financial Express

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