

THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 22nd May 2020



MACRO

- Jay Powell, chairman of the US Federal Reserve, started talking about full recovery not being complete until end of 2021
- Janus Henderson show a best-case scenario of a 15% reduction in global dividends, worst case 35%. They say that the US will be less impacted due to a lower level of payout in the first place; and they think that the major impact on Asia will not be until later this year
- UK CPI came in at 0.8% for April, the lowest in four years, prompting a letter of explanation from new governor Andrew Bailey to the Chancellor
- The Bank of England issues gilts on a negative rate for the first time ever

STATISTIC OF THE WEEK

Investec's Roger Lee published a piece reminding us that the continued outperformance of growth stocks should not be taken as a given. To illustrate this, he points out the market capitalisation of **Zoom** is now larger than every major US airline combined, which he feels is unwarranted

COMPANY NEWS

- **Nike's** statement was broadly in line with expectations, showing that many of their Chinese and Korean stores are now open again. Although footfall is down, conversion rates are much higher – i.e. when people do enter a store, they are much more likely to buy something
- It was interesting to see **Taiwan Semi-Conductor** going ahead with a new \$12bn chip plant in Arizona
- **Compass**, where around 50% of its catering business is closed, announced a \$2bn rights issue to shore up its balance sheet
- A Zoom call with the FD of **Persimmon** showed us that they have been very effective in getting workers back onto building sites over the last three weeks
- **Experian** released a very robust statement highlighting their resilience against a weak economic background and the repeat nature of their business

SMALL-CAP NEWS

A reassuring update from the management team at the listed property vehicle **Secure Income REIT**. With the share price now giving little to no value to parts of the portfolio negatively impacted by the pandemic, there could be meaningful upside if and when things return to some semblance of normality. Debt levels are low, and they astutely sold some assets last year with the proceeds still held in cash

FUNDS

A UK investment trust manager gave us an insightful look into some sectors that are under pressure. They still have large positions in **Ryanair** and **EasyJet** (believing that both will be in a stronger position once the pandemic is over); and that balance sheet strength for the housebuilders is being overlooked. They also mentioned that in their own models **Frasers Group** (previously known as Sports Direct) could survive for another 18 months without a single store reopening – Frasers have recently announced they will reopen on 1st June

THIS WEEK IN HISTORY

1801: William Hammond, chairman of the Committee of Managers, laid the first foundation stone for the new London Stock Exchange building on 18th May 1801

1864: In the US, the great "Civil War Gold Hoax" causes gold prices to spike 10% overnight

LOCKDOWN LOWDOWN

UK streaming services showed that Britbox (the ITV, BBC, Channel 4 back catalogue) has not got off to a good start. Its main problem is that it is not on any of the platforms, such as Sky, and is difficult to put onto your TV set. This is not encouraging for **ITV's** share price.

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MARKET DATA

% returns	1 Week	1 Month	1 Year	5 Years
UK Equities (% return GBP)	3.27	4.09	-16.24	1.52
World Equities (% return GBP)	2.67	6.69	3.71	60.79
10 Year US Treasury Yield	0.66	0.63	2.39	2.21
GBP / USD (fx rate)	1.22	1.23	1.27	1.55

As at 22nd May 2020. Source: Financial Express

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