

# THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 24<sup>th</sup> July 2020



## MACRO

- In the UK, the Link report for dividends showed Q2 dividends down sharply. It is the lowest quarterly dividend figure since 2010 and a 57% drop compared to the second quarter last year
- A story in the FT suggested that the threat of a big jump in taxation for the large technology companies is receding
- US / China relations take another turn for the worse as the Chinese consulate in Houston is ordered to close over concerns about economic espionage

## STATISTIC OF THE WEEK

The so called “wear and tear trade” continues as the latest figures reveal a surge in home improvements which in turn has fuelled a recovery in UK retail sales. They jumped by nearly 14% in June, compared to the month before, according to the Office for National Statistics

## COMPANY NEWS

A busy week during quarterly earnings season:

- **Microsoft** delivered strong top and bottom line beats, but a slight slowing in growth by the cloud division resulted in the shares selling off towards the end of the week
- **RELX** continued to show organic growth in all areas apart from their events division (c. 16% of sales) which has been disrupted by lockdown
- **Unilever** produced very strong quarterly numbers and the corresponding rise in its share price has turned it into the largest company in the FTSE 100
- **Coca Cola** showed how important the “away from home” market is to them and how hard it has been hit by the closure of bars, restaurants and other entertainment venues
- **AT&T** showed good cash flows and debt management and solid underlying performance. HBO Max is showing decent traction

- **Melrose** reported a 27% fall in revenues in the first half of the year and indicated that it would only be at breakeven for the year as a whole, compared with the £889 million of pre-tax profits it made last year

## SMALL-CAP NEWS

Three university professors are now millionaires as shares in their company **Synairgen** skyrocketed by 3,000% overnight. It came after a 'major breakthrough' in a trial of their new coronavirus drug

## THIS WEEK IN HISTORY

**1956:** stock markets tumble on news that Egypt's President Gamal Abdel Nasser has nationalized the Suez Canal

**2018:** shares of Facebook fall 18%, wiping \$119bn off the company's market cap. It would be the largest single day decline in a company's market cap in history, despite the best efforts of some companies to claim this dubious honour in March of this year

## RE-OPENING TIMES

**Royal Mail** reported a 38% year-on-year rise in parcel deliveries for the three months to the end of June. A recent survey carried out by the Royal Mail found that just over a third of people said that receiving a parcel had become the highlight of their day.

## MARKET DATA

% returns	1 Week	1 Month	1 Year	5 Years
UK Equities (% return GBP)	-2.70	-0.02	-16.75	10.68
World Equities (% return GBP)	-2.07	2.44	2.78	75.18
10 Year US Treasury Yield	0.59	0.69	2.05	2.27
GBP / USD (fx rate)	1.28	1.24	1.24	1.55

As at 24<sup>th</sup> July 2020. Source: Financial Express

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