

THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 24th 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 24th July 2020. Source: Financial Express

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