

THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 19th June 2020



MACRO

- The Federal Reserve stepped in once again to stave off falling equity markets with an announcement that it would start buying non-financial corporate bonds
- Investment grade bond yields in the US fell to an all-time low of 2.23%
- There were unequivocal messages coming out of the White House that there will be no second lockdown in the US
- In the UK, retail sales rose by 12% in May
- Stock market sentiment fell at the end of the week when Apple said it would be forced to close some stores in US States that have seen a new spike in coronavirus cases

STATISTIC OF THE WEEK

Nikola, the start-up that's developing electric and hydrogen powered trucks, recently went public and is now valued at more than Ford, despite having no product. Why is it called Nikola? Well it is named after a certain Serbian-American inventor of the same name, Nikola Tesla to be exact

COMPANY NEWS

- **Ashtead** beat reduced expectations and maintained their dividend
- **Travis Perkins** announced they were closing 150 stores
- **National Grid** warned of a £400m coronavirus hit to profits as its US business suffers particularly badly, but maintained their dividend
- **Wirecard** shares plummeted when auditors revealed that €1.9bn was missing from their accounts

FUNDS

A call with a specialist fund investing in sovereign and quasi-sovereign bonds issued by so called "wealthy" nations that run large current accounts. This is an asset class offering comparable yields to US high yield corporate debt without the same risk of default, they argue. They go on to say that a country's traditional debt to GDP ratio is too simplistic and investors should distinguish between that country's

domestic and foreign debt and therefore their ability to repay.

THIS WEEK IN HISTORY

1815: Nathan Rothchild, armed with advance news of Wellington's victory over Napoleon at Waterloo, makes a fortune in the London gilt market

1998: **Disney** acquired a 43% stake in internet search engine and **Google** competitor **Infoseek.com**, valuing the company at \$900 million. Three years later Infoseek was practically worthless

LOCKDOWN LOWDOWN

One asset class that has benefitted from the pandemic has been pedigree dogs. Google searches for "buy a puppy" have increased 120% during lockdown and in a rare case of the UK outperforming overseas markets, British bulldogs have gone from costing around £5,000 to £9,000 in the space of a few months

MARKET DATA

% returns	1 Week	1 Month	1 Year	5 Years
UK Equities (% return GBP)	2.93	4.79	-13.16	11.77
World Equities (% return GBP)	3.54	6.37	6.80	80.95
10 Year US Treasury Yield	0.69	0.70	2.03	2.26
GBP / USD (fx rate)	1.23	1.23	1.27	1.59

As at 19th June 2020. Source: Financial Express

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