

# THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 18<sup>th</sup> December 2020



## MACRO

- In the UK, London and many surrounding areas were sent into Tier 4 with severe restrictions imposed over Christmas
- Still no sign of a UK / EU trade deal with fisheries remaining a sticking point
- Another very strong industrial output figure from China, up 7% in November

## STATISTIC OF THE WEEK

This year the world's non-financial firms have raised an eye-popping \$3.6 trillion in capital from public investors, more than any other year. Corporate financiers, fearing an abyss back in March, have never been busier.

## COMPANY NEWS

- Pharmaceutical firm **Eli Lilly** said it will boost its quarterly dividend to 85 cents a share, up 15% from 74 cents. The stock, which has returned about 32% this year, is yielding 2%
- **FedEx** results continue to show the very high strength of e-commerce during the pandemic
- After two quarters of declines during the COVID-19 pandemic, **Nike** showed sales growth of 7% compared to the same quarter last year

## FUNDS

A meeting with a global financials fund highlighted the extent to which central banks have extended monetary stimulus in response to the pandemic. 25% of all US dollars ever "printed" have been in 2020 alone.

## SMALL-CAP NEWS

As some market commentators (Odey etc.) had expected, there was another bid for **Codemasters** this time coming from **Electronic Arts**, another US gaming stalwart. We expect this trend of large international companies picking off small UK companies with world leading technology to continue next year.

In the same gaming sector **Keywords Studios** continued with their acquisition strategy paying up to \$50m for the US-based game development services company **High Voltage**

## THIS WEEK IN HISTORY

**1825:** London bank Pole & Co. collapses following a speculative boom in South American mining companies, causing bank runs and immediately bringing down 40 other commercial banks. In the Panic of 1825, stocks fell 80%, troops were called to control riots, and the Bank of England nearly failed

**1903:** The age of the airplane is underway as Orville and Wilbur Wright make their first successful flight at Kitty Hawk, North Carolina

## CHRISTMAS ENDS IN TIERS

As we reach that time of year when stock market experts attempt to predict the future, we will resist that particular temptation. However, we are reminded by recently published JP Morgan research that over the past 20 years, consensus forecasts have correctly called the direction of US treasury yields only 40% of the time, the S&P500 only 50% of the time and the dollar 67% of the time. For what it's worth, the 2021 consensus forecasts are bullish on equities, credit, and EM; and bearish on DM bonds and the US dollar....

## MARKET DATA

% returns	1 Week	1 Month	1 Year	5 Years
UK Equities (% return GBP)	-0.34	2.24	-12.15	28.26
World Equities (% return GBP)	-0.34	3.56	13.16	103.67
10 Year US Treasury Yield	0.95	0.88	1.92	2.19
GBP / USD (fx rate)	1.35	1.33	1.31	1.49

As at 18<sup>th</sup> December 2020. Source: Financial Express

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