

THAT WAS THE WEEK THAT WAS

By Vermeer Partners

Week ending 17th July 2020



MACRO

- UK GDP data showed that the economy only expanded by 1.8% in May, much weaker than the 5.5% growth expected. The data also revealed that the UK economy shrank by over 19% from March to May, and has contracted by a quarter since the pandemic began.
- Joe Biden said over the weekend that if elected he would reverse some of the tax cuts that Trump has brought in over the last 3-4 years. Analysts estimate this could reduce US corporate earnings by around 5%
- 19 US states this week set new highs for coronavirus infections recorded in a single day, and the U.S. on Saturday reported more than 71,500 new coronavirus cases — second highest to the record 75,600-plus set last Thursday.

COMPANY NEWS

- **US banks** reported quarterly earnings – all gave a clear message of being in a strong financial position and those with larger trading and investment banking divisions showed better profitability
- **Pepsi** net sales fell only 3% over the second quarter, with its snacks side (such as Doritos Crisps and Crackerjack Popcorn) holding up well
- Credit score company, **Experian**, released robust quarterly results highlighting the resilience of its business model during the pandemic.

FUNDS

We took an interesting call with a new investment trust designed to fund and invest in purpose-built accommodation for the homeless in the UK. Receiving cross-party support, new legislation places a statutory duty on local housing authorities to secure accommodation for people who are homeless/at risk of homelessness. The properties will typically have 25-year unbroken inflation-linked leases let to Housing Associations and registered charities.

SMALL-CAP NEWS

As the debate over working practices at **Boohoo's** clothing factories in Leicester rages on, it transpires that over 20 so-called ESG or ethical funds in the UK were invested in Boohoo despite claims to run meticulous ethical screens over the companies they invest in. Forced selling by these funds may have contributed to Boohoo's precipitous share price fall.

THIS WEEK IN HISTORY

1998: Russia secures an \$11bn financial aid package from the International Monetary Fund (IMF) in an effort to halt its financial crisis amid skyrocketing inflation and capital rapidly leaving the country.

2019: Stock markets appear largely unfazed as news breaks that Iran has seized a British oil tanker, the *Stena Impero*, in the Strait of Hormuz, a geopolitically vital sea route connecting the Persian Gulf and Gulf of Oman

RE-OPENING TIMES

Showing exactly how little it has moved forward over the last two decades **Royal Bank of Scotland** reverts to being called **NatWest**. The change of name which takes place this week takes what was once one of the world's most successful banks back to the roots of the business it acquired in 2000.

MARKET DATA

% returns	1 Week	1 Month	1 Year	5 Years
UK Equities (% return GBP)	3.15	0.52	-14.76	10.75
World Equities (% return GBP)	2.56	3.64	5.90	81.88
10 Year US Treasury Yield	0.64	0.74	2.06	2.34
GBP / USD (fx rate)	1.26	1.26	1.24	1.56

As at 17th July 2020. Source: Financial Express

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