Wealth Management
Weekly Market Update

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Market Update

Stock markets closed down last week on the back of a COVID-19 case count resurgence. Growth stocks outperformed value stocks as fears of a second wave of the virus caused market participants to raise their expectations of a second lockdown. Banking stocks were particularly volatile as news that the Federal Reserve would roll back some measures on high risk products enacted after the 2008 crisis helped fuel an intra-week rally. However, the sector quickly gave up these profits on Friday on news that the Fed is passing measures to block dividends and share repurchases in order to improve balance sheet resilience. Emerging Market stocks were the best performers for the week, while the US market fell -2.7% in GBP terms. UK and EU stocks fell -2.1% and -1.2% respectively. IT was the best performing sector globally, while Energy suffered. UK sovereign bond yields fell across the week, with the UK 10Y Gilt yield finishing the week at 0.17%. Gold was up +1.6% in US Dollar terms, while Oil fell -3.2%.

UK Stocks	US Stocks	EU Stocks	Global Stocks	EM Stocks	Japan Stocks	Gilts	GBP/USD
▼ -2.1%	▼ -2.7%	▼ -1.2%	▼ -2.2%	▶ 0.0%	▼ -0.5%	▲ +1.0%	▼ -0.1%

all returns in GBP to Friday close

Macro News

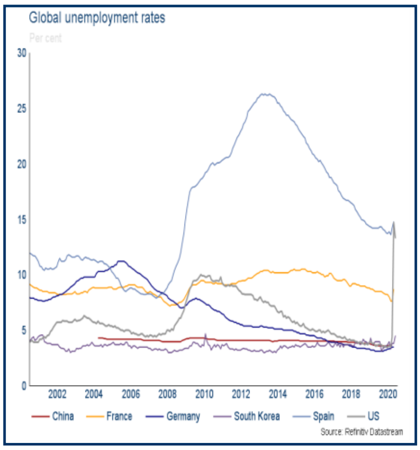
- Amid the risk-off sentiment, some economic data exceeded expectations last week. The flash Eurozone Composite PMI jumped to 47.5 in June, the second largest increase on record, fuelling hopes of a V-shaped recovery.
- Bank of England Governor Andrew Bailey said that the central bank should begin cutting back its bond-buying program before raising interest rates in the future. He said now was not the time for such action but that the high level of asset purchases "shouldn't always be taken for granted."
- After $3.1 billion additional tariffs were threatened on UK and EU products, the EU warned the US that tariff threats will harm both sides.

The Week Ahead

- US non-farm payroll figures will be released this Thursday. This number should provide some clarity on the state and health of the US labour market.

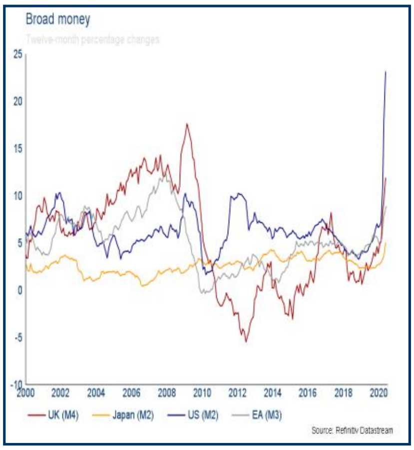
Week in Charts

Fig 1: Global Unemployment Rates



Unemployment figures have yet to increase significantly in most major economies (with the US the major outlier) as governments have used furloughing to protect workers. However figures are starting to tick up as support is scaled back and secondary effects of a lack of activity start to take hold.

Fig 2: Broad Money Supply



Money supply has shot up across major economies, especially in the US where it is up over 20% from last year, as central banks have accelerated QE programs in response to the crisis.

View From the Desk

Despite further improvement in the economic data last week, news of a resurgence in COVID-19 cases around the globe sent stocks -2.5% lower in the Friday session, enough to remind investors that the virus progression is still a central part of the economic narrative. Preliminary PMI data suggest a stabilisation of the global economy as supply chains begin to adjust to new realities. What they can't tell us, however, is where unemployment - and ultimately consumption - will go. US jobless claims data continues to worry investors, while the picture in Europe is foggy at best, as employment remains heavily subsidised by short-term government money. Even in China, the Party saw fit to change its target from GDP growth to employment stabilisation, suggesting that unemployment pressures in the world's second largest single economy are cause for significant concern. Central to our investment thesis remains the idea that central banks can prop up markets for a long time, allowing space for the alleviation of economic pressures, as we will talk about in our monthly market webinar tomorrow ([click here to join](#)). However, it seems possible - and even probable - that risk premiums overall will rise for all assets. As long as a universal cure eludes us, the "new normal" will include risks of sudden local lockdowns, limitations in the free movement of individuals and supply chain disruptions. This means that while investors are going to experience even more volatility suppression than in the past for their risk assets, they should brace for short volatility spikes (exacerbated by algorithmic trading) and ultimately the idea that the virus and its consequences may stay with us for a long time.

David Baker, CIO