Wealth Management
Weekly Market Update

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Market Update

Global equities were narrowly down -0.3% on the week in local terms, however Sterling weakness once again boosted returns to British investors. The US was the best performing region, up +1.0% in Sterling terms. This coming week will kickstart earnings season in the US, where earnings are expected to fall sharply relative to last year. UK stocks were down -1.6% for the week, with more regions now entering stricter tiers of lockdown, with the outlook for hospitality in particular worsening. European stocks returned -0.7% in Sterling terms. Emerging Markets again rose up +0.9%, however this corresponds to only 0.1% in local currency terms. Japanese equities sold off sharply, the worst performer of the major markets in local currency terms down -1.8%, though after currency effects this rises to -0.7%. With subdued demand expected in the coming months as a result of further lockdowns, Energy was once again the worst performing sector. This was despite a rise in Oil prices, up +1.4% for the week. IT and Telecommunications were the two best performing sectors. Government bond yields fell, the UK and US 10-year yields were down by 9.8 and 2.8 basis points respectively. The US 10-year is now at 0.75%. Gold fell -0.9% for the week to $1,912.

UK Stocks	US Stocks	EU Stocks	Global Stocks	EM Stocks	Japan Stocks	Gilts	GBP/USD
▼ -1.6%	▲ +1.0%	▼ -0.7%	▲ +0.4%	▲ +0.9%	▼ -0.8%	▲ +1.4%	▼ -0.9%

all returns in GBP to Friday close

Macro News

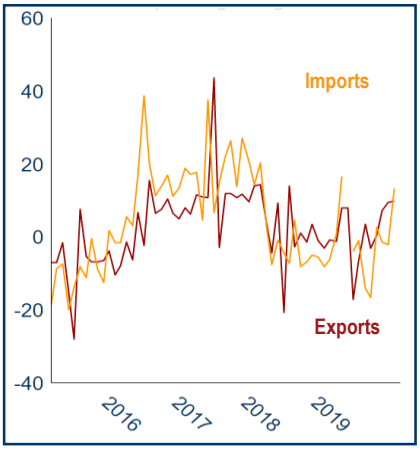
- Exports from China rose +9.9% year-on-year to an all-time high of $239.8 billion in September, the fourth straight month of increase and broadly in line with market consensus. Imports to China jumped +13.2% year-on-year to an all-time high of $202.8 billion in September, far above market expectations of a +0.3% rise and following a -2.1% drop a month earlier. This was the first increase in imports in three months.
- The UK unemployment rate increased to 4.5% in the three months to August 2020 from 4.1% in the previous period and above market expectations of 4.3%. It was the highest jobless rate since the three months to May 2017, as the coronavirus pandemic hit the labour market. For June to August 2020, an estimated 1.52 million people were unemployed, up 209,000 on the year and up 138,000 on the quarter.

The Week Ahead

- The annual and monthly inflation rate for the UK will be released this Wednesday. The annual rate slowed sharply to 0.2% in August from 1% in July, whereas month-over-month inflation decreased -0.4%, following a +0.4% rise in July. August saw the biggest decline in the monthly CPI since January 2019.

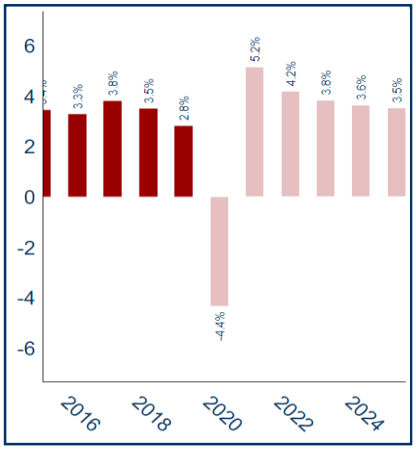
Week in Charts

Fig1: China Export & Import Growth



Imports into China last month were up +13.2% year-on-year to $203bn, by far the biggest jump in 2020. China's exports leapt +9.9% in September and helped fuel a domestic recovery, bolstered by strong sales of electrical devices and medical equipment.

Fig 2: IMF Global GDP Forecast



The IMF expects the global economy to experience a -4.4% contraction in 2020, -0.8% lower than its June estimate.

View From the Desk

Considering the rest of the world appears to be in the midst of a second wave of Covid-19 infections the export and import figures from China have been extraordinary. Historically Chinese economic figures such as GDP have been hard to verify, however raw import and export figures are more reliable, so the fact the country is importing and exporting over 10% more compared to a year ago needs to be taken seriously. What is more there is no sign of the People's Bank of China cutting interest rates, another signal that the economy is relatively steady.

For several years our Emerging Market exposure had an underweight to China. These days we have a far more neutral position as the country looks to be the world's growth engine for some time to come – it is expected to be the world's largest economy by 2030 according to the IMF. There is a lot of conjecture over which countries will come out of the Covid-19 crisis strengthened and which weakened. It is fair to say that on current evidence China, where cases remain low, stands to gain in the global pecking order.

David Baker, CIO

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