Wealth Management
Weekly Market Update

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Market Update

Global equities suffered their worst week since March, with the sell-off attributed to renewed virus related lockdowns across most of Europe and the final stretch of the hotly contested US presidential campaign. Global and US equities were both down -5.0%. This was despite the fact that Tech giants Alphabet, Amazon, Apple and Facebook disclosed quarterly results that showed revenues climbing faster than Wall Street had been expecting in the three months to September. European equities sold off -6.8% as economic data highlighted that the bloc sank into its third consecutive month of deflation in October as the spread of Covid-19 accelerates across the continent. UK, Emerging Market and Japanese equities were down -4.8%, -2.2% and -2.1% respectively. A sell-off in US government bonds regained momentum at the end of last week, pushing the 10-year Treasury yield back to a four-month high of 0.87%. The UK 10-year Gilt yield ended the week at 0.26%, not far above its all-time low. Oil prices slumped with Brent crude oil, the international benchmark, dipping below $37 a barrel, the worst weekly performance in more than six months. Gold gained +0.6% to $1,878.50 per Troy ounce.

UK Stocks	US Stocks	EU Stocks	Global Stocks	EM Stocks	Japan Stocks	Gilts	GBP/USD
▼-4.8%	▼-5.0%	▼-6.8%	▼-5.0%	▼-2.2%	▼-2.1%	▲+0.4%	▼-0.7%

all returns in GBP to Friday close

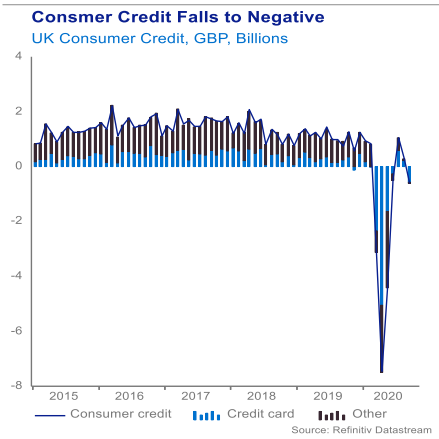
Macro News

- England is moving back into lockdown this Thursday after measures announced by the Prime Minister over the weekend. The previous lockdown caused UK GDP to plummet 25%. Expectations are for a smaller but still significant impact. 1.2 million workers were on furlough as of 18 October, and this figure is expected to rise sharply since retail and hospitality account for 15% of GDP and will be closed in the coming weeks.
- Eurozone GDP figures released last Friday beat expectations, rising 12.7% in Q3, ahead of expected growth figures of 9.4%. The EU Economic Sentiment Indicator showed signs of stalling in October ahead of lockdown fears. This record-breaking quarterly GDP growth came as lockdowns eased in Europe, however with France and Germany moving back into lockdown, the outlook for Q4 remains subdued.

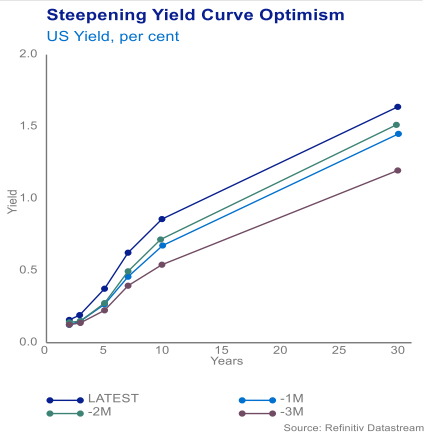
The Week Ahead

- The Bank of England Monetary Policy Committee meet this Thursday; it is generally anticipated that facing a slowing economy (especially in light of the England lockdown) will necessitate the Bank to increase expansionary monetary policy. It is unclear through what mechanism the Bank will transmit this policy although it appears Quantitative Easing is more likely than a cut to negative interest rates.

Week in Charts



UK Consumer Credit fell back into contractionary territory at -£0.6 billion in September, reversing two months of expansion. In the face of weakening consumer demand, even before lockdowns, this might encourage the Bank of England into further monetary policy action.



The US Yield curve has steepened over the past few months. This is caused by the spread between long-term and short-term Treasuries increasing, with the yield on longer-term bonds rising faster than shorter bonds. This indicates markets are expecting rising inflation and ultimately rising interest rates.

View From the Desk

Last week saw the return of March-like volatility in financial markets, as renewed lockdowns in Europe and the UK weighed on sentiment. A month ago, the probability of country-wide lockdowns seemed remote, but since then the number of new cases has risen exponentially which is why both Wall Street and High Street were caught off guard. While the market stabilised after Thursday, investor uncertainty going into the final quarter of the year is peaking, as previous economic and earnings forecasts are bound to be revised down. While, in the UK, extension of the furlough scheme was welcomed, economists note that the economic help package could have been a lot more generous. Additionally, markets are holding their breath over the outcome of the US Presidential and Senate races, with portfolio managers especially nervous about the possibility of inconclusive results. At this point, however, all eyes are on December and January when usually measured scientists appear confident that vaccines will be fully developed and approved for distribution.

In this environment, long term investors are presented with a challenging task. On the one hand, they are encouraged to look beyond the shorter term distractions of US elections and a virus which will be, in all probability, eventually dealt with. On the other, they can neither ignore that nor yet fully analyse how these events will reshape the world and change long term projections for risk assets. This is a time when trust in the properties of diversified portfolios needs to be maintained as means of maintaining wealth through these tumultuous times.

David Baker, CIO

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