Wealth Management
Weekly Market Update

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Published 9 November 2020

Market Update

Global equities rallied last week with US stocks in particular posting their largest weekly gains since April as investors reacted to the increased possibility of a divided government, with a potential Biden win and continued Republican control of the Senate. In Sterling terms US stocks were up +5.6% while both UK and Global equities were up +6.0%. Japanese equities closed the week at their highest level since 1991, up +4.7%, as the recently reported second-quarter earnings season has delivered a number of strong results from Toyota and other big industrial names, indicating that Japanese businesses have adapted well and quickly to tough conditions. European equities were the best performer in Sterling terms, up +7.7%. Better than expected employment data in the US prompted selling of US Treasuries and sent yields sharply higher, with the US 10-year ending the week at 0.819%. The UK 10-year Gilt yield ended the week at 0.274%. Oil prices rose +2.1% to $38 a barrel. Gold gained +2.2% to $1,960.50 per Troy ounce.

UK Stocks	US Stocks	EU Stocks	Global Stocks	EM Stocks	Japan Stocks	Gilts	GBP/USD
▲ +6.0%	▲ +5.6%	▲ +7.7%	▲ +6.0%	▲ +4.9%	▲ +4.7%	▼ -0.4%	▲ +1.6%

all returns in GBP to Friday close

Macro News

- The Bank of England Monetary Policy Committee held the policy rate at 0.1% despite inflation being below its 2% target. The Bank has announced a further £150 billion of Quantitative Easing, taking the total announced for 2020 to £875 billion. This equates to almost £2.4 billion of bond purchases a day.
- Eurozone retail sales dropped more than expected, down 2% month-on-month in September. The largest falls were in nations that re-entered lockdowns, such as Belgium, France and Germany.
- Chinese export growth reached a near two-year high in October. Growth beat expectation to rise 11.4% year-on-year. As a leading manufacturer of technology and healthcare, the Chinese export industry has benefited from recent market trends.

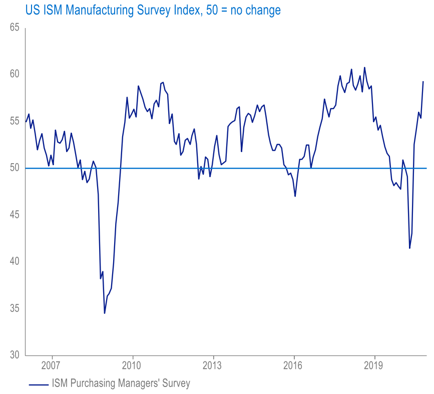
The Week Ahead

- UK GDP data is released on Thursday. The economy is expected to have contracted at an annualised rate of 9.4% in Q3. With much of the UK now in lockdown, it is possible the UK will enter a 'double-dip' recession if the economy contracts across Q4. GDP data is preceded by unemployment data on Tuesday. The extension of the government furlough scheme should help to keep unemployment subdued even as economic activity slows over the coming weeks.

Week in Charts

Manufacturing Activity Accelerates

US ISM Manufacturing Survey Index, 50 = no change

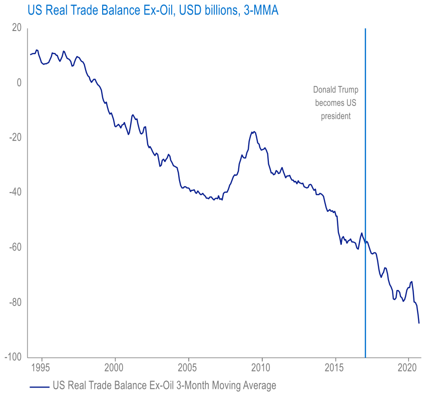


Source: Refinitiv Datastream

US Manufacturing Activity significantly beat consensus forecasts. The headline figure, 59.3, was 3.5 points ahead of the forecasts and well ahead of the expansion threshold at 50. New orders and export orders were particularly strong in the most recent report.

Did Trump Address the Trade Deficit?

US Real Trade Balance Ex-Oil, USD billions, 3-MMA



Source: Refinitiv Datastream

Despite promising to tackle the US trade deficit in his first trip to Asia as president, the Trump presidency failed to tackle the rising US trade deficit, which rose to a 14-month high in August and was stable in September at $63.9 billion.

View From the Desk

Joe Biden's emergence as the apparent winner of the US election has been the cause of alarm to certain UK observers who feel that this could impede a trade deal with the US. Despite the PM's very quick congratulatory note to the incoming President, concerns have risen that a trade deal would not be as easy to achieve, given Boris Johnson's lack of personal rapport with Mr. Biden. Frankly, we believe that particular argument to be a bit simplistic.

It is frankly not plausible that Mr. Biden, who will seek to restore global relationships, will seek to "punish" allies of the previous President. The "special relationship" goes far deeper than contemporary personal relationships, stretching into common ancestry, key alliances, language and culture. The United States has often built its global hegemony on the path trailblazed by Britain. It's about the sharing of trade links, intelligence and a global visions. Acting as the doorway to Europe was only one – significant - way, in which that relationship bore fruit.

As far as the trade deal itself is concerned, things are less complicated that they seem.

Under Mr. Trump, an "America First" deal would be sought by the US, which already has a trade surplus with the UK and would reasonably seek to expand it, creating a bigger deficit for the UK. It would be quicker and simpler to achieve but, for all the headlines it would generate, it would not necessarily be a great outcome over the longer term.

Under Mr. Biden, a multilateralist, it's possible that a softer approach might be considered. The US has long sacrificed some growth for influence under previous Presidents to Mr. Trump. Mr. Johnson is not a fundamentalist, if anything he has proven to be extremely flexible.

Talks with the EU will probably now get back on track as the rules of the game coming January are known, and will revolve around a satisfactory solution for the Irish Republic.

We believe that, insofar as Brexit does not threaten the Good Friday Agreement, a truly better deal is possible. In other words, some concessions by the UK to the EU might mean some concessions from the US to the UK. And that's how multilateralism creates multiple opportunity sets not available to bilateralism.

David Baker, CIO

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