NDL

momentum

Global Matters Weekly

20 July 2020

2020 – a rollercoaster ride

– James Klempster, CFA

How to sum up 2020 so far? A rollercoaster is probably the best way to describe it; both from an emotional perspective but also in terms of what the markets have been up to. Over the first quarter, market participants went from being blissfully ignorant to a state of panic as the significance of global lockdowns became apparent and investors were left wondering what the crisis would mean for the economy and companies; not to mention the humanitarian cost.

At the start of the lockdown we made the strong case that while the short-term risks are large and palpable, the virus wasn't unpicking the very fabric of society nor the efficacy of capital markets to reward judicious investments. Some businesses will fall by the wayside through this extraordinarily difficult period, but to presume that all businesses would be materially wounded in perpetuity seemed too gloomy a prediction for us. Added to this was the certainty that we will, collectively get through the short-term pain caused by the virus. The human impact has been deep and terrible, but this is not the first pandemic we have faced nor will it be the last. Humanity is resourceful, agile, adaptable and humanity will find ways to exist and flourish again despite the virus.

Now that we have retraced much of the falls, the question is 'how much is in the price?' We feel that much of the developed world is through the period of maximum economic pain. The self-imposed lockdowns are being tentatively unwound and while we are yet to see concrete evidence in the economic data, we can assume that the last month or so will see an improvement in terms of consumption. If we continue on this trajectory, the second half of 2020 may make up some of the huge amount of lost ground from the first half.

> The human impact has been deep and terrible, but this is not the first pandemic we have faced nor will it be the last. Humanity is resourceful, agile, adaptable and humanity will find ways to exist and flourish again despite the virus

Whether the economic recovery is V shaped remains to be seen, but the performance of stocks is unquestionable – the market recovery has almost been as sharp as the pullback earlier in the year, meaning that global investors have had to weather both a bear and a bull market within a matter of weeks. It's not surprising that investors are feeling a little punch drunk, and a period of relative inactivity in the markets provides an opportunity for us all to take stock and reassess how we think things will go from here.

> The best businesses, even in chastened sectors, will find a way to prosper but the weak could perish

When considering the impact on businesses, some will be deeply scarred by this crisis. It is difficult to envisage business travel, for example, returning to 2019 norms for the foreseeable future. It is difficult to see how leisure businesses will be anything but hamstrung by social distancing and cleanliness requirements. The best businesses, even in these chastened sectors, will find a way to prosper but the weak could perish . That is why balance sheet strength and good management are key and that is why we believe active management of investment portfolios still has such a pivotal role to play. The best active managers are able to identify the businesses that are best placed to succeed - even in otherwise unloved corners of the stock market.

We must resist the urge to be too reactionary about the longer-term impacts of this crisis, however. Social distancing has been effective and at the start we dutifully followed the stringent rules despite recent signs of fatigue. The virus has demonstrated how seamlessly we can work remotely and converse globally without getting on a plane and yet, a virtual conversation still lacks the nuance of true human interaction. A couple of months holed up at home does not roll back on millennia of evolution, and so assumptions that office space, airlines and physical retail stores are all relics are likely to be overdone.

> We must resist the urge to be too reactionary about the longer-term impacts of this crisis

The **Marketplace**

- Cases of Covid-19 have reached 14 million globally with over 600k fatalities
- The S&P 500 reached its highest intraday level since February
- Brent crude fell -0.2% ending the week at $43.1 a barrel
- Gold rose 0.7% to end the week at $1810.4 an ounce

Market **Focus**

US

- The CPI reading for June was 0.6% year-on-year, meeting expectations, with core inflation remaining at 1.2%
- Only 6 states currently have an R number under 1
- Industrial production rose by 5.4% in June against 4.3% expected
- Initial weekly jobless claims for the week through 11th July came in at 1.3m, higher than expected. However, this was the 15th consecutive weekly decline
- The US have denounced China's claim to the South China Sea – overturning their deep-rooted policy of not taking a side in disputes in the region
- Biotechnology firm Moderna announced that their Covid-19 vaccine produced antibodies in all patients tested in the early round of trials, leading the vaccine to move into a later-stage trial
- President Trump ended Hong Kong's special status with the US and signed legislation that would sanction Chinese officials responsible for stopping political dissent in the city

Europe

- The EU recovery fund summit moves into its fourth day of negotiations as a possible compromise seems likely
- President Macron of France announced he wanted people to wear masks in all indoor public spaces by the start of August
- The President of the ECB said that the baseline was that they would use the full €1.35tn PEPP envelope, barring positive data surprises
- President Macron announced an injection of another €100bn to support efforts to stop a big increase in unemployment

UK

- In May, GDP had a 1.8% month-on-month expansion against 5.5% expected Face masks will be compulsory in all shops from 24th July
- The CPI reading for June came in at 0.6% against 0.4% expected – the inflation rate's first rise since January
- Huawei will be completely removed from the UK's 5G networks by the end of 2027 and all purchases of any new 5G equipment from Huawei will be banned at the end of this year
- PM Johnson announced plans to increase antigen testing for Covid-19 to 500k a day by the end of October
- The ONS' early indicator for June suggested that the number of employees on payroll was down -650k compared to March

Asia/Rest of The World

- China's Q2 GDP was 3.2% year-on-year against 2.4% expected
- Brazil passed 2m confirmed cases with over 75k fatalities
- Hong Kong tightened public gatherings to four people and ordered gyms and bars to close for a week
- The latest growth forecasts for Japan are revised down, pointing to a deeper economic slump this year

Past performance is not indicative of future returns.

Source: Bloomberg. Returns in local currency unless otherwise stated.

Global Matters Weekly

20 July 2020

Asset Class/Region	Currency	Currency returns			
		Week ending 17 July 2020	Month to date	YTD 2020	12 months
Developed Market Equities					
United States	USD	1.3%	4.1%	0.6%	9.6%
United Kingdom	GBP	3.2%	1.9%	-16.1%	-14.8%
Continental Europe	EUR	1.8%	4.0%	-5.5%	1.6%
Japan	JPY	2.5%	1.0%	-7.3%	3.0%
Asia Pacific (ex Japan)	USD	-1.0%	5.8%	-0.7%	5.3%
Australia	AUD	1.9%	2.3%	-8.4%	-6.3%
Global	USD	1.5%	4.3%	-1.8%	6.2%
Emerging markets equities					
Emerging Europe	USD	-1.2%	1.4%	-23.6%	-15.9%
Emerging Asia	USD	-1.7%	6.8%	3.1%	12.1%
Emerging Latin America	USD	1.8%	7.5%	-30.3%	-29.5%
BRICs	USD	-2.9%	7.8%	-0.3%	6.5%
China	USD	-4.6%	8.1%	11.9%	21.4%
MENA countries	USD	-0.5%	1.3%	-15.2%	-18.1%
South Africa	USD	1.3%	8.5%	-17.7%	-18.5%
India	USD	1.6%	6.9%	-14.3%	-13.3%
Global emerging markets	USD	-1.2%	6.5%	-4.0%	2.5%
Bonds					
US Treasuries	USD	0.1%	0.4%	9.7%	11.8%
US Treasuries (inflation protected)	USD	0.5%	1.2%	7.6%	9.7%
US Corporate (investment grade)	USD	0.7%	2.1%	7.2%	11.9%
US High Yield	USD	1.1%	2.2%	-1.7%	2.0%
UK Gilts	GBP	-0.6%	-0.4%	9.3%	10.4%
UK Corporate (investment grade)	GBP	0.1%	0.9%	4.2%	6.7%
Euro Government Bonds	EUR	0.0%	0.2%	2.3%	2.3%
Euro Corporate (investment grade)	EUR	0.4%	0.8%	-0.4%	-0.2%
Euro High Yield	EUR	0.6%	1.0%	-4.3%	-1.5%
Japanese Government	JPY	-0.1%	0.2%	-1.0%	-1.5%
Australian Government	AUD	-0.1%	0.0%	4.1%	4.8%
Global Government Bonds	USD	0.1%	1.0%	5.6%	6.8%
Global Bonds	USD	0.3%	1.2%	4.8%	6.5%
Global Convertible Bonds	USD	0.2%	2.9%	7.9%	12.0%
Emerging Market Bonds	USD	0.9%	1.6%	1.2%	2.7%

Source: Bloomberg. Past performance is not indicative of future returns

NDL

momentum

Global Matters Weekly

20 July 2020

Asset Class/Region	Currency	Currency returns			
		Week ending 17 July 2020	Month to date	YTD 2020	12 months
Property					
US Property Securities	USD	1.1%	-0.2%	-19.1%	-15.5%
Australian Property Securities	AUD	1.6%	0.9%	-22.2%	-26.3%
Asia Property Securities	USD	-0.3%	1.3%	-17.5%	-17.2%
Global Property Securities	USD	0.1%	0.7%	-19.2%	-15.1%
Currencies					
Euro	USD	1.2%	1.7%	1.8%	1.9%
UK Pound Sterling	USD	-0.6%	1.4%	-5.3%	0.9%
Japanese Yen	USD	-0.1%	0.8%	1.5%	1.0%
Australian Dollar	USD	0.8%	1.5%	-0.4%	-0.4%
South African Rand	USD	0.7%	4.3%	-16.1%	-16.1%
Swiss Franc	USD	0.2%	0.9%	3.0%	5.2%
Chinese Yuan	USD	0.1%	1.0%	-0.4%	-1.7%
Commodities & Alternatives					
Commodities	USD	-0.3%	3.1%	-23.3%	-19.8%
Agricultural Commodities	USD	0.6%	3.0%	-8.4%	-5.6%
Oil	USD	-0.2%	4.8%	-34.6%	-32.2%
Gold	USD	0.7%	1.5%	18.9%	27.3%
Hedge funds	USD	0.1%	0.9%	-0.3%	3.4%

Source: Bloomberg. Past performance is not indicative of future returns

Important notes

This document is for information purposes only and does not constitute any investment advice. This document is only intended for use by Newport Distribution Ltd and their clients. This does not constitute an offer or solicitation to any person in any jurisdiction in which it is not authorised or permitted, or to anyone who would be an unlawful recipient.

Prospective investors should take appropriate advice regarding applicable legal, taxation and exchange control regulations in countries of their citizenship, residence or domicile which may be relevant to the acquisition, holding, transfer, redemption or disposal of any investments herein solicited.

Any opinions expressed herein are those at the date this document is issued. Data, models and other statistics are sourced from our own records, unless otherwise stated. We believe that the information contained is from reliable sources, but we do not guarantee the relevance, accuracy or completeness thereof. Unless otherwise provided under UK law, Momentum GIM does not accept liability for irrelevant, inaccurate or incomplete information contained, or for the correctness of opinions expressed.

The value of investments in discretionary accounts, and the income derived, may fluctuate and it is possible that an investor may incur losses, including a loss of the principal invested. Past performance is not generally indicative of future performance. Investors whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of their investments.

Under our multi-management arrangements, we selectively appoint underlying sub-investment managers and funds to actively manage underlying asset holdings in the pursuit of achieving mandated performance objectives. Annual investment management fees are payable both to the multimanager and the manager of the underlying assets at rates contained in the offering documents of the relevant portfolios (and may involve performance fees where expressly indicated therein).

Momentum Global Investment Management (Company Registration No. 3733094) has its registered office at
The Rex Building, 62 Queen Street, EC4R 1EB

Momentum Global Investment Management Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom, and is an authorised Financial Services Provider pursuant to the Financial Advisory and Intermediary Services Act 37 of 2002 in South Africa.