

Weekly Investment Update

25th September 2020



Geo-political news

Covid-19 – Increasing concerns over the surging cases of Covid-19 took hold this week, as restrictions tightened globally to try and curb the spread. Deaths from the coronavirus in the US topped 200,000, while in Europe, cases are growing exponentially, with the UK's chief scientific adviser, Patrick Vallance, stating that there is possibility of having 50,000 Covid cases per day by mid-October if immediate action isn't taken. After the stark warning from Mr Vallance, the UK government chose to bring in new measures to contain positive case numbers, including: local lockdowns, expansion of the face covering policy, suggestions of working from home if possible, and curfews for the hospitality sector.

UK economy – The latest figures from the Office of National Statistics showed that the UK government borrowed £35.9 billion in the month of August, which is the third highest monthly figure on record, adding to the total amount borrowed to £2.024 trillion, the highest figure as a share of the economy since 1960-61. The increased borrowing came as tax revenues fell along with increased spending to deal with the effects of the pandemic. Finance Minister, Rishi Sunak, announced a new jobs support scheme on Thursday which would help firms employ workers on shorter hours, but warned that he could not save every business or job. The scheme will run for 6 months, starting in November, and will be open mainly to small/medium sized businesses. Workers must work at least a third of their normal hours and be paid for that work as normal by their employer, the government will then work alongside the employers to cover the other two thirds of their wages that they have lost by reducing the employees working hours.

US presidential election – US President, Donald Trump, has this week refused to guarantee a peaceful transition of power if he were to lose the election on the 3rd November. This unusual response triggered condemnation from Congressional Democrats, who accused the President of threatening American democracy. Republicans shied away from criticising President Trump, however, they pledged there would be an orderly transfer of power.

Market Summary

Global Equities – Global equities took a hit this week. Major indices started the week negative and couldn't take enough positives from news flows to recover losses. Lockdown fears, tighter restrictions on freedom, weak eurozone and UK PMI data (Purchasing Managers Index) and a revelation around major banks not following money laundering procedures correctly, dented investor sentiment. In the US, a fading of central bank stimulus hopes and a souring of US-China trade relations knocked equities.

Commodities – Gold prices slid throughout the week versus the US dollar, hitting a low point of \$1,849.33 per ounce. As at Thursday's close, the price of the yellow metal was down -4.34% for the week, as the US dollar headed for its biggest weekly gain in almost 6 months. Silver prices tumbled versus the US dollar, falling 13% over the week.

As at Friday's open, oil prices (Brent Crude & WTI) were on track for weekly losses of 2.5% and 1.5% respectively. Prices fell due to rising concerns around the resurgence of Covid-19 cases and its effect on fuel demand, as well as additional supplies coming from Libya. This week's dip in prices put both Brent and WTI on track for a monthly decline, which would be the first for Brent Crude in six months.

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Chart of the week

Time To Switch

Citi favors EM over European equities



Source: Bloomberg – Citi now favour Emerging Market equities over European equities

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US consumer confidence	- EU Inflation flash	- US PMI	- Japan unemployment rate

Market Performance – 25/09/2020

Global Market Indices	2020 YTD %*
FTSE 100	-21.06%
S&P 500	1.38%
DAX	-3.96%
Nikkei 225	0.68%
Hang Seng	-14.85%
Fixed Income	Yield %
UK 10 Yr Gilt	0.22%
US 10 Yr Treasury	0.66%
Commodities	2020 YTD %
Gold	20.18%
Currency	
GBP/USD	1.27 (25/09/20)
GBP/EUR	1.09 (25/09/20)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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