

Current Update

June 2020



Market Commentary

It's been a very strong quarter for equities and credit as central banks and governments provided enormous amounts of stimulus and economies started to reopen. Despite the strong rebound in Enhancer assets, Anchors such as government bonds and Diversifiers such as gold have held up well. UK Gilts are up nearly 10% year to date, while gold is up over 25% in sterling terms.

As economies have started to reopen, economic data has shown signs of a sharp rebound. For example, US retail sales rose 17% month on month in May, while UK retail sales rebounded by 12%. While sales are still down 6% and 13% year on year respectively, the speed and magnitude of the bounce back is a clear positive. While still below the all time highs of February the US equity market is now positive year to date.

Central banks globally have made clear that they stand willing to use their full firepower to keep government and corporate borrowing costs low. The Bank of England, for example, recently increased its quantitative easing programme by a further GBP 100 billion, helping to keep UK 10-year Gilt yields low at around 0.2%. The UK equity market remains materially down year to date as Brexit concerns also begin to return. In Europe and Japan double digit returns in equities significantly reduced year to date losses.

The gains in Gilts supported other Anchor assets and rising inflationary added to year to date returns for inflation linked bonds. Within diversifiers commodities and gold were strong for June and the second quarter although a stagnating market saw UK property prices continue to fall.

Overall the worst case scenario of the Covid crisis morphing into a liquidity crunch has thus been avoided, and central banks don't appear to be in the mood to back away from providing liquidity support where necessary.

UK	30-June-20	31-Dec-19
FTSE 100	6,169	7,542
FTSE 100 % Change	-18.20%	
BoE Interest Rate	0.10%	0.75%
CPI	0.50%	1.50%
Govt, 10YR Yield	0.17%	0.83%
FTSE 350	3,450	4,249

Currency	30-June-20	31-Dec-19
GBP/USD	1.24	1.32
GBP/EURO	1.11	1.18

Commodity (\$)	30-June-20	31-Dec-19
Gold	1,781	1,518
Silver	17.98	18.00
Brent Crude Oil	41.85	66.03

Govt 10YR Bond	30-June-20	31-Dec-19
US	0.65	1.92
Japan (JGB)	0.03	-0.02
Germany (Bund)	-0.45	-0.18

Global Markets	30-June-20	31-Dec-19
Dow Jones	25,812	28,538
Dax	12,310	13,249
CAC	4,935	5,978
Nikkei 225	22,288	23,656
Shanghai	2,984	3,050
Sensex	34,915	41,253
Nifty 50	10,302	12,168

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10 Key Events to Watch:

UK		Previous	Forecast
Tuesday, Jul 14, 2020	Claimant Count Change (Jun)	528.9K	400.0K
Tuesday, Jul 14, 2020	Manufacturing Production (YoY)	-28.5%	-19.9%
Tuesday, Jul 14, 2020	Industrial Production (YoY) (May)	-24.4%	-19.3%
Wednesday, Jul 15, 2020	CPI (YoY) (Jun)	0.5%	0.5%
Thursday, Jul 16, 2020	Unemployment Rate (May)	3.9%	-
GLOBAL			
Monday, Jul 13, 2020	India CPI (YoY) (Jun)	5.91%	5.93%
Tuesday, Jul 14, 2020	German CPI (YoY) (Jun)	0.9%	-
Tuesday, Jul 14, 2020	US CPI (YoY) (Jun)	0.1%	0.2%
Wednesday, Jul 15, 2020	China GDP (QoQ) (Q2)	-9.8%	0.2%
Tuesday, Jul 21, 2020	Japan Manufacturing PMI (Jul)	40.1	-

Key Recent Announcements

US ISM MANUFACTURING PMI (May):

Survey results shows up trend to 43.10 in June 2020 from 41.50 as compared to previous month, against market expectations of 45.0.

UK MANUFACTURING PMI (May):

Manufacturing PMI stood at 50.10 as compared to 40.70 from the previous month.

UK INFLATION RATE YoY (MAY):-

The rate of inflation across the UK stood at 0.50 percent in June 2020, compared to 0.80 percent the previous market expectations of 1.5 percent.

US GDP (QOQ) (Q1):

The US GDP stood at -5.00 percent in Q1 as compared to -5.80 percent from the previous quarter.

For further information or enquires, professional advisors please contact the investment team directly on **020 3383 0180** or by emailing **info@riverscm.com**

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