

Current Update

July 2020

Market Commentary

July provided further evidence that economic activity has improved since lockdowns were lifted, but some economic data pointed to a pause in the recovery, particularly in the US. Anchors, particularly inflation linked government bonds, gained during the month. In local terms equity markets in many regions were positive but in sterling terms many Enhancers lost value. Diversifiers generally added value with Gold and Silver being best performing of all.

The pace of increase in new infections also rose in most regions from the start of July, but appeared to slow towards the end of the month in the US, while rising, from much lower levels, in Europe and Japan. Hopes for a vaccine were boosted by positive early-stage trial results. Major central banks took something of a back seat over the past month, having already flooded the market with liquidity and taken rates close to their lower bounds. However, governments have been under pressure to provide further fiscal support. Congress debated the extent to which unemployment benefits should be extended and whether further stimulus cheques should be provided, with a deal proving difficult to get over the line.

Daily new cases of Covid-19 in the UK had been falling, but again concerns around a small increase in cases have surfaced at the same time as the government has lifted activity restrictions. A summer economic plan put forward by the Chancellor aims to introduce measures to get the economy back on its feet by reducing stamp duty, cutting VAT for the food and hospitality sectors and offering companies GBP 1000 for each furloughed staff member that they retain until the end of January. At the same time as giving with one hand, the Chancellor plans to take with the other as he rolls back the furlough scheme, which had helped protect the jobs of millions of UK workers. Some of those jobs could now be at risk if activity doesn't recover before the scheme is wound down. UK assets have been somewhat out of favour compared with other regions over the past month.

The policy response to Covid-19 from central banks and governments has been swift and sizeable and helped lift markets, as policymakers have aimed to build a bridge to the other side of the virus. However, a full economic recovery can only take place if rising activity doesn't also lead to rising infections. Governments should therefore continue supporting consumer incomes and businesses until a vaccine is available or until the virus is brought under control by other means. The extent to which they do so will be key to the outlook from here. It appears progress is being made towards a potential vaccine, but it is too early to sound the all clear just yet.

10 Key Events to Watch:

UK		Previous	Forecast
Tuesday, Aug 11, 2020	Unemployment Rate (Jun)	3.9%	4.2%
Wednesday, Aug 12, 2020	Manufacturing Production (YoY) (Jun)	-22.8%	-16.0%
Wednesday, Aug 12, 2020	GDP (QoQ) (Q2)	-2.2%	-21.2%
Wednesday, Aug 19, 2020	CPI (YoY) (Jul)	0.6%	0.4%
Friday, Aug 21, 2020	Retail Sales (MoM) (Jul)	13.9%	-
GLOBAL			
Thursday, Aug 13, 2020	China Industrial Production (YoY) (Jul)	4.8%	4.7%
Sunday, Aug 16, 2020	Japan GDP (QoQ) (Q2)	-0.6%	-7.6%
Wednesday, Aug 19, 2020	Euro CPI (YoY) (Jul)	0.4%	0.3%
Tuesday, Aug 25, 2020	Germany GDP (QoQ) (Q2)	-10.1%	-2.2%
Thursday, Aug 27, 2020	USA GDP (QoQ) (Q2)	-32.9%	-4.8%

Key Recent Announcements

US ISM MANUFACTURING PMI (Jun):

Survey results shows up trend to 52.6 in June 2020 from 43.1 as compared to previous month, against market expectations of 49.0.

UK MANUFACTURING PMI (Jun):

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

UK INFLATION RATE YoY (JUN):-

The rate of inflation across the UK stood at 0.6 percent in June 2020, compared to 0.5 percent the previous market expectations of 0.4 percent.

US GDP (QOQ) (Q2):

The US GDP stood at -32.9 percent in Q2 as compared to -5.0 percent from the previous quarter.

UK	31-July-20	31-Dec-19
FTSE 100	5,897	7,542
FTSE 100 % Change	-21.81%	
BoE Interest Rate	0.10%	0.75%
CPI	0.60%	1.50%
Govt, 10YR Yield	0.11%	0.83%
FTSE 350	3,316	4,249

Currency	31-July-20	31-Dec-19
GBP/USD	1.31	1.32
GBP/EURO	0.90	1.18

Commodity (\$)	31-July-20	31-Dec-19
Gold	1,985	1,518
Silver	24.22	18.00
Brent Crude Oil	43.30	66.03

Govt 10YR Bond	31-July-20	31-Dec-19
US	0.53	1.92
Japan (JGB)	0.01	-0.02
Germany (Bund)	-0.52	-0.18

Global Markets	31-July-20	31-Dec-19
Dow Jones	26,428	28,538
Dax	12,313	13,249
CAC	4,783	5,978
Nikkei 225	21,710	23,656
Shanghai	3,310	3,050
Sensex	37,606	41,253
Nifty 50	11,073	12,168

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