



## Global Market Overview – July 2020

Following the very volatile first quarter of this year when we experienced extreme falls in asset values, the second quarter has provided an unexpected recovery across almost all financial markets.

While the pandemic is certainly not over, and the full economic impact from the global lock-downs is not yet fully known, it is undoubtedly pleasing to see such sharp and swift improvements in financial assets. Investors are clearly looking through the current economic situation towards recovery, which is encouraging. The speed of recovery has, however, been a little surprising, although the rally in asset values has been supported by huge liquidity injections and other policy interventions from global central banks and governments.

We are undoubtedly in unprecedented times, and while it is obviously pleasing to see some easing of the lock-downs, we remain very cognisant that there could easily be a return to more discrete lock-downs later this year. Most recently there have already been several localised events following spikes in infection rates.

Inevitably, global economic activity has been sorely dented, but we are also seeing some early signs of improvement. For example, the latest jobless figures for the US suggest a slight recovery in the number of unemployed, with the unemployment rate falling to 11.1% in June from 13.3% in May. We expect central banks to keep interest rates low, and for governments to continue with their much-needed rescue packages targeted at industries and consumers.

We are now entering the quarterly earnings season from companies, and their forward guidance on current and future earnings will be especially important. Companies are also taking action individually to support their balance sheets and, where necessary, have responsibly stopped dividend payments and stock buyback programmes.

Following the very sharp drop in the price of oil earlier in the year, oil prices are now showing signs of stabilising, and a steadier environment will undoubtedly be helpful for companies and consumers. Investor confidence will, however, be essential in the coming months to support a continuing recovery in financial markets. It is reassuring to see economic activity within China returning to more normal levels, and the very recent data suggest robust manufacturing and services activity.

In recent weeks, US equities have been leading in terms of global equity performance, and the US technology sector has recently reached a new all-time high, but elsewhere markets have yet to recover fully from their low points at the end of March.

It is conceivable that working from home will become more commonplace and is likely to remain so for some industries for many months. Clearly, the leisure and hospitality sectors have been hit very hard, and it still remains to be seen how the summer vacation season will unfold.

While there has been some encouraging news with regard to treatments and potential vaccines, it is likely to be a long time before any vaccine will be available for mass inoculation. As a consequence, the success of 'track and trace', as well as compliance with quarantine requirements, will be key in managing the virus for the foreseeable future. Their success will no doubt have a direct impact on the direction of markets.

Investors should, therefore, anticipate potential bouts of market volatility as a result of COVID-19 newsflow and equally, as the year progresses, there is potential for upset from increased geopolitical risks, such as the US presidential election due in November, and in the UK where Brexit negotiations are still to be finalised.

We will naturally continue to remain vigilant and take appropriate action as required.

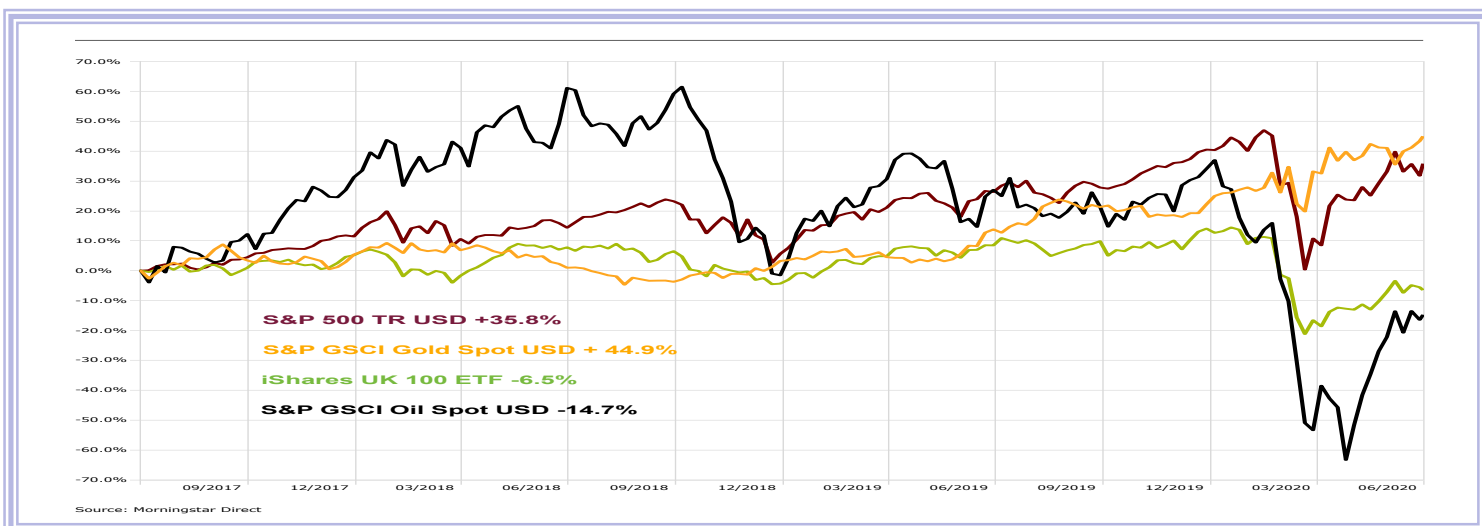


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## Three years to end June 2020 – percentage Total Return



## Index, Benchmark and Exchange Traded Fund percentage growth to end June 2020

	Currency	3 Months	6 Months	12 Months	3 Years
<b>Bonds</b>					
BBgBarc Global High Yield TR Hdg GBP	GBP	11.76	-5.26	-3.07	2.92
ICE BofA Global Corporate TR HGBP	GBP Hedged	7.81	2.79	5.66	12.90
<b>UK Equities</b>					
iShares 100 UK Equity Index (UK) A Acc	GBP	10.69	-16.71	-13.79	-6.51
iShares MSCI UK Small Cap ETF GBP Acc	GBP	15.06	-22.17	-11.92	-5.89
S&P UK TR GBP	GBP	13.65	-18.74	-12.63	20.81
<b>US Equities</b>					
S&P 500 TR GBP	GBP	20.54	-3.08	7.51	35.77
S&P 500 TR USD	USD	20.16	-3.56	6.45	32.14
NASDAQ 100 PR USD	USD	30.30	16.89	33.78	85.71
<b>European Equities</b>					
iShares STOXX Europe 600 (DE)	GBP	13.56	-12.03	-4.24	3.19
MSCI AC Europe GR LCL	Various	19.54	-3.66	5.72	28.16
<b>Japanese Equities</b>					
Nikkei 225 Average PR JPY	Yen	17.97	-4.71	7.01	18.33
<b>Asia and Emerging Equities</b>					
Morningstar Asia GR GBP	GBP	15.83	0.88	5.36	16.43
iShares Core MSCI Emerging Markets ETF	GBP	18.90	-10.11	-4.03	4.28
MSCI EM GR LCL	Various	18.55	-7.08	0.54	13.57
<b>Global Equities</b>					
MSCI World All Cap PR LCL	Various	13.11	-11.68	-6.05	-3.62
MSCI World ex USA All Cap PR LCL	Various	29.99	16.30	32.40	79.87
<b>Commodities</b>					
S&P GSCI Gold Spot	USD	12.77	18.21	27.36	44.93
S&P GSCI Crude Oil Spot	USD	91.75	-35.69	-32.84	-14.70
<b>Global Real Estate</b>					
S&P Global Property TR USD	USD	10.38	-19.81	-14.24	-1.42
<b>Asset Risk Consultants Private Client Indices</b>					
ARC Cautious PCI TR GBP	GBP	6.01	-0.87	1.35	5.22
ARC Balanced Asset PCI TR GBP	GBP	8.62	-3.34	-0.24	5.54
ARC Steady Growth PCI TR GBP	GBP	10.95	-5.09	-1.29	7.22
ARC Equity Risk PCI TR GBP	GBP	12.97	-6.60	-2.21	8.18
ARC Cautious PCI TR USD	GBP	5.49	-0.97	1.83	7.66
ARC Balanced Asset PCI TR USD	GBP	8.62	-3.33	1.09	8.87
ARC Steady Growth PCI TR USD	GBP	11.36	-4.40	1.22	11.91
ARC Equity Risk PCI TR USD	GBP	15.08	-4.91	2.13	17.56

### Important Information

Source for graphs, economic and market data: Morningstar Direct.

\*Asset Risk Consultants' data contains estimated numbers. TR is Total Return. PR is Price Return. GR is Gross Return.

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