

Weekly Update

A new New Deal?

UNFRIENDED

Facebook faces a boycott from advertisers

BIDEN'S RIDING HIGH

Opinion polls put the challenger in the lead

LABOUR CHURN

US Labour market data reflects economic changes

GONE SHIPPIN'

Baltic dry signals higher demand

A GOOD WEEK FOR

- Oil, which reversed last week's declines, gaining 4.34% in USD terms.
- US equities, which gained +3% in GBP terms, boosted by GBP weakness.

A BAD WEEK FOR

- Japanese equities, which fell c. -3% in GBP terms, amid weak economic data.
- Government bonds, which sold off very modestly in local terms, save for the US.

UK ECONOMY

Last week PM Johnson set out the first steps in the Government's strategy to "rebuild Britain and fuel economic recovery across the UK." The "New Deal" style plan is being positioned as a bid to "tackle this country's great unresolved challenges of the last three decades." Areas for investment highlighted in the statement included: home-building, the NHS, infrastructure, green development along with training and skills. Of the £640bn five-year investment set out in the Spring budget, £5bn is being brought forward to be spent on hospitals, schools, roads and local projects. Changes to the planning system were also heralded. Further details are expected on Wednesday, with £1.5bn support also announced for the arts and stimulus measures to boost demand also rumoured.

TECHNOLOGY

A growing number of multinational brands are boycotting US Facebook advertising over the company's policy on "hateful content". With 600 brands already involved in the campaign, including Starbucks, Unilever and Ford, organisers are looking to expand the boycott to Europe also. CEO Mark Zuckerberg is reported to have dismissed the boycott in comments to staff, saying that advertisers will be back "soon enough". Regardless of the episode's impact on Facebook specifically, the issue highlights the change taking place in what consumer expect from corporations and the growing importance of corporate responsibility. With weaker corporate responsibility providing a potential source of risk in the future, investors are scrutinising businesses with greater care in this regard.

US POLITICS

With the US presidential election now four months away, opinion polls indicate Democratic challenger Joe Biden is on average almost 10 points ahead of President Trump. Historically, Independence Day polls have been a good indicator of the election result. Importantly, Biden is also ahead in polls for battleground states, where either the Democrats or the Republicans could win. While four months is a long time in politics, the polls appear to have the Republican campaign nervous, with the President decrying the data as "fake". Management of the coronavirus pandemic and race relations are thought to have undermined the President's popularity in recent months. A Democratic government may herald policies, less favourable to asset markets, such as tighter regulation, but could also mean a clearer line on US-China relations, which may reduce political volatility. Given the change in fiscal spending policy brought about by the pandemic, higher government spending is likely under both administrations. Both parties are likely to announce policies in the autumn.

US ECONOMICS

US labour market data continues to show unemployment falling, with the unemployment rate at 11.1% in June versus 13.3% in May. Hospitality and retail sectors were the main drivers of employment growth, with firms re-staffing closed positions as the economy reopens. However, the rise in cases in some states imperils this progress. Concern over hospital capacity has necessitated the reintroduction of social restrictions in California, Texas, Arizona and Florida, which may result in workers returning to unemployment. While new unemployment claims have slowed markedly, so has the pace of improvement, with continuing unemployment claims still at 19million, from a peak of 25million. With the pandemic still ongoing, the CARES act is expected to be extended in order to support incomes, while the Federal Reserve has hinted at adopting threshold based guidance (keeping policy loose until inflation or unemployment targets are met) in order to strengthen monetary policy.

GLOBAL TRADE

The Baltic dry freight index, an indicator of global shipping demand, rose for the 24th straight day on Wednesday, recovering to levels last seen in 2019. The recovery has been driven by a recovery in demand for iron-ore from China as industrial activity picked up and restrictions were eased.

Performance

EQUITIES

	1 WEEK			MTD			YTD			1 YEAR		
	£	Loc.	Rel.	£	Loc.	Rel.	£	Loc.	Rel.	£	Loc.	Rel.
UK	0.0%			-0.2%			-17.9%			-17.4%		
US	3.1%	4.1%	-1.0%	0.3%	1.0%	-0.7%	4.8%	-1.4%	6.3%	7.8%	6.9%	0.9%
Europe	1.3%	2.2%	-0.9%	0.9%	1.6%	-0.7%	-1.7%	-7.7%	6.0%	-1.5%	-1.9%	0.5%
Japan	-2.3%	-1.2%	-1.1%	-0.5%	-0.1%	-0.4%	-1.0%	-7.9%	6.9%	2.6%	1.5%	1.1%
Asia ex Japan	2.8%	3.4%	-0.7%	3.2%	3.7%	-0.5%	3.9%	-1.2%	5.1%	3.7%	3.6%	0.1%
EM	2.6%	3.3%	-0.7%	3.2%	3.6%	-0.3%	-0.2%	-2.1%	1.9%	0.7%	4.2%	-3.5%

FIXED INTEREST AND CURRENCIES

	1 WEEK		MTD		YTD		1 YEAR	
	Local		Local		Local		Local	
Corporate and Government Bonds								
UK Gov	-0.3%		-0.2%		9.4%		9.6%	
US Gov	-0.2%		-0.1%		8.9%		10.4%	
Europe Gov	0.3%		0.1%		2.2%		2.4%	
UK Index-Linked	1.1%		0.6%		13.1%		8.3%	
UK Corporate	0.2%		0.2%		3.7%		5.9%	
UK High Yield	0.5%		0.4%		-3.9%		0.5%	
Currencies – Spot								
GBP – USD	-1.2%		-0.6%		6.2%		0.7%	
GBP – EUR	-0.9%		-0.5%		6.5%		0.5%	
GBP – JPY	-1.4%		-0.3%		7.3%		1.0%	

	YIELD	
	Local	
Sovereign and Supranational Bonds		
10 Year Gilts	0.21%	
10 Year Treasuries	0.70%	
10 Year Bunds	-0.42%	

COMMODITIES

	1 WEEK		MTD		YTD		1 YEAR	
	Local		Local		Local		Local	
Energy								
Brent	4.3%		4.0%		-35.2%		-32.9%	
Precious Metals								
Gold	0.0%		-0.5%		16.8%		24.9%	

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