

# Weekly Update

## Winter is coming

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### AFTER THE FURLOUGH'S OVER

The BoE holds fire

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### YOU KENT COME IN

Road haulage faces a new normal

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### BRACE FOR THE BALLOT

The US election will be hard fought

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### THE GOLDEN AGE

Is gold losing its shine?

### A GOOD WEEK FOR

- The US dollar, which appreciated c. 2% on a trade-weighted basis.
- US equities, which were boosted by currency strength in GBP terms.

### A BAD WEEK FOR

- Gold and oil, which were hindered by USD strength.
- Equities in the UK, Europe and emerging markets, where indices all declined c. -3% or more.

### UK HEALTH POLICY

The UK government this week warned of a worsening health situation with cases of coronavirus on the rise. Coupled with concerns that seasonal weather will further exacerbate the pressure on the health service, social restrictions were tightened somewhat across the UK. - Local measures were still very much in force too, with yet tighter restrictions introduced in regions where the spike in cases has been higher. Clearly mindful of the economic impact of earlier measures, restrictions target socialising in the home and encouraging workers to work from home. This is expected to have minimal negative economic impact, as relatively few workers had returned to offices. Hospitality restrictions have so far been limited to a 10pm curfew. While modest, these measures remain unhelpful for the economic recovery, and further restrictions would weigh on growth in earnest.

### UK FISCAL POLICY

In light of the deteriorating health outlook, UK chancellor Rishi Sunak this week announced measures to support employment and incomes once the Coronavirus Job Retention Scheme is withdrawn at the end of October. From November employers can claim wage support for workers on short hours. In a bid to limit support to viable jobs, eligible workers must be employed for a minimum of 33% of their normal hours. The government and the employer will then share the wage bill for 66% of the remaining hours not worked. While the scheme is generous to workers (a worker on 50% hours receives 83% of regular pay), it does not appear to be structured so as to strongly incentivise employers to keep more employees on the payroll on shorter hours.

### BREXIT

The government has announced that lorry drivers will need a permit to enter Kent once the Brexit transition period ends. The permit system is designed to avoid long delays and traffic jams in the area around the port of Dover and Channel Tunnel should exporters fail to procure the correct approval for goods travelling to the EU. Drivers of lorries weighing more than 7.5 tonnes will need to apply for the permits online and show that they have all the paperwork they need to ferry goods to the EU. Disruption is feared because, with or without a trade deal, the UK will no longer be subject to the same regulations with regards to goods and food.

### US ECONOMY

With the US election just over a month away, hope that Congress will extend coronavirus-relief spending measures is fading fast. While further stimulus would undoubtedly boost consumption spending and consumer confidence, Democrats and Republicans are struggling to come to an agreement so close to the November election. The expectation that a higher than usual share of ballots will be cast by postal votes raises the prospect of a protracted count, potentially delaying the outcome by several days. While Trump has hinted that he may not go quietly if he is unseated, we believe that the government apparatus can contend with this possibility.

### GOLD

Gold has performed strongly year to date, gaining c. 23% in USD terms, making it the year's best performing asset class. However, the shine came off somewhat last week, with gold prices declining close to 5%. While risk appetite was muted last week, which would normally be supportive for gold, the US dollar appreciated strongly. Given that many commodities are priced in US dollars, an appreciation in the dollar can weigh on the price performance of these assets.

# Performance

## EQUITIES

	1 WEEK			MTD			YTD			1 YEAR		
	£	Loc.	Rel.	£	Loc.	Rel.	£	Loc.	Rel.	£	Loc.	Rel.
UK	-2.8%			-2.0%			-21.9%			-18.8%		
US	1.4%	-0.5%	1.9%	-0.6%	-5.6%	5.0%	9.4%	4.7%	4.6%	10.7%	13.8%	-3.1%
Europe	-3.9%	-3.7%	-0.2%	-0.1%	-2.5%	2.4%	-2.0%	-9.3%	7.3%	0.1%	-3.1%	3.2%
Japan	0.0%	-0.7%	0.7%	6.0%	0.3%	5.7%	3.4%	-3.7%	7.1%	2.2%	3.0%	-0.8%
Asia ex Japan	-1.9%	-2.9%	1.0%	1.1%	-3.4%	4.5%	5.4%	1.3%	4.2%	8.2%	9.4%	-1.2%
EM	-2.6%	-3.5%	0.9%	1.4%	-3.5%	4.9%	1.0%	0.7%	0.3%	4.8%	9.9%	-5.1%

## FIXED INTEREST AND CURRENCIES

	1 WEEK		MTD		YTD		1 YEAR	
	Local		Local		Local		Local	
<b>Corporate and Government Bonds</b>								
UK Gov	0.2%		2.1%		8.8%		4.2%	
US Gov	0.3%		0.4%		9.4%		8.9%	
Europe Gov	-1.7%		-1.8%		6.7%		6.7%	
UK Index-Linked	-0.5%		1.6%		9.8%		-0.2%	
UK Corporate	-0.5%		0.7%		5.3%		4.9%	
UK High Yield	-0.9%		-0.5%		-1.9%		1.3%	
<b>Currencies – Spot</b>								
USD – GBP	1.3%		4.9%		4.0%		-3.1%	
EUR – GBP	-0.5%		2.2%		7.9%		3.0%	
JPY – GBP	0.4%		5.2%		7.0%		-1.1%	

	YIELD	
	Local	
<b>Sovereign and Supranational Bonds</b>		
10 Year Gilts	0.19%	
10 Year Treasuries	0.66%	
10 Year Bunds	-0.53%	

## COMMODITIES

	1 WEEK		MTD		YTD		1 YEAR	
	Local		Local		Local		Local	
<b>Energy</b>								
Brent	-2.9%		-7.4%		-36.5%		-32.8%	
<b>Precious Metals</b>								
Gold	-4.6%		-5.4%		22.7%		23.8%	

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