

# Weekly Update

## Bye 'den

### FURLOUGH FOR LONGER

Rishi extends again

### FEELING QE-AZY

BoE increases QE

### FED UP

The Fed want to get fiscal

### PHASE 2

China embarks on further economic development

### A GOOD WEEK FOR

- Oil, which rallied c. 4% in US dollar terms.
- Emerging market equities, which rallied in GBP terms.

### A BAD WEEK FOR

- Bonds, which sold off modestly. Gilts suffered most.
- The US dollar, which weakened modestly on a trade weighted basis.

### US POLITICS

The US election took place last week, with markets anticipating a Democrat sweep. However, the race was closer than expected. Democrat presidential candidate Joe Biden declared victory on Saturday, once Philadelphia finished counting. President Trump has yet to concede the election, however, and is pursuing the matter through the courts - though his case has not won the support of prominent electoral law experts. The race for the House of Representatives and the Senate is ongoing. The Democrats are three seats short of a majority but are ahead in four races where ballots are still being counted. Winning them all would give them a very slim majority in the House. Within the Senate, two Georgia seats will be decided in run-off elections in January. The Democrats need to win both seats in order to control the Senate, with the support of a further two independent Senators and the Vice-President casting the tie-break vote. Should the Republicans secure a majority in the Senate it would likely limit the scope for fiscal stimulus, but also block radical regulatory appointments, limiting the scope for greater regulation.

### UK ECONOMY

In response to a second national "lockdown" in England and similar measures in place across the UK, Chancellor Rishi Sunak announced an extension to the Coronavirus Job Retention Scheme (CJRS) on Thursday. The scheme will be extended to March for any business that closes due to social restrictions. The State will cover 80% of workers' salaries, with employers only covering National Insurance and pension contributions. This is more generous than the Job Support Scheme, which only helped those able to work some hours, required employers to pay for some unworked hours, and contributed only 60% of unworked hours' wages. The extension of such support should keep a lid on unemployment for longer, supporting consumption growth.

### UK MONETARY POLICY

The Bank of England increased monetary support for the UK economy last week. The Bank's Monetary Policy Committee voted to increase the asset purchase programme (QE) by £150bn, extending support to the economy and keeping interest rates low. Interest rates remain unchanged. Bank forecasts of GDP growth and inflation were lowered in the November report, but do not reflect the extension of the CJRS. The impact is expected to be less severe than in April as schools and some businesses will stay open and businesses report better preparedness. The Bank highlighted the fact that the pandemic has brought about some changes that will be lasting, such as greater working from home, and the economy will need to adjust. The Brexit transition is expected to be a powerful near term factor, with the potential to cause some disruption in Q1 2021.

### US MONETARY POLICY

The US Federal Reserve's November meeting was a quiet affair. Monetary policy committee members voted to maintain rates and monetary policy, but highlighted the risks to growth and inflation. Chair Powell pointed to worsening health data as a cause for concern, especially given that fiscal stimulus ceased back in July and consumer savings are being run down. The Fed has made it clear that monetary support needs to be coupled with fiscal measures, though further spending may have to wait until January, when the new presidential term begins.

### CHINA POLICY

China's Communist Party Central Committee concluded a four-day meeting to decide China's economic and social policy goals for the next five years. The first phase of China's 50-year transformation plan is due to be completed in 2021. The second phase, completing in 2049, seeks to fully modernise China's economy. Investment in environmental sustainability, innovation and domestic technology capabilities will be key themes. Social reforms are also expected, including policies around state-owned enterprises and labour permits. China is also expected to set itself more modest growth targets in the next decade, of perhaps 5% real GDP. This avoids policy makers having to deliver growth at any cost, but could mean China provides less of a boost to global growth.

# Performance

## EQUITIES

	1 WEEK			MTD			YTD			1 YEAR		
	£	Loc.	Rel.	£	Loc.	Rel.	£	Loc.	Rel.	£	Loc.	Rel.
UK	5.9%			5.9%			-21.1%			-19.3%		
US	5.9%	7.6%	-1.7%	5.9%	7.6%	-1.7%	12.9%	11.9%	0.9%	15.3%	17.9%	-2.7%
Europe	7.7%	7.3%	0.4%	7.7%	7.3%	0.4%	0.0%	-6.3%	6.3%	0.5%	-4.3%	4.7%
Japan	4.7%	5.1%	-0.5%	4.7%	5.1%	-0.5%	4.9%	-1.1%	6.0%	3.5%	0.3%	3.2%
Asia ex Japan	4.5%	5.3%	-0.8%	4.5%	5.3%	-0.8%	12.7%	10.4%	2.4%	13.4%	13.7%	-0.3%
EM	4.9%	5.7%	-0.8%	4.9%	5.7%	-0.8%	8.4%	10.1%	-1.7%	10.0%	14.3%	-4.4%

## FIXED INTEREST AND CURRENCIES

	1 WEEK		MTD		YTD		1 YEAR	
	Local		Local		Local		Local	
<b>Corporate and Government Bonds</b>								
UK Gov	-0.5%		-0.5%		7.0%		6.1%	
US Gov	0.3%		0.3%		8.4%		8.2%	
Europe Gov	1.9%		1.9%		9.9%		10.4%	
UK Index-Linked	-1.2%		-1.2%		9.3%		8.0%	
UK Corporate	0.4%		0.4%		5.8%		6.3%	
UK High Yield	1.0%		1.0%		0.4%		2.5%	
<b>Currencies – Spot</b>								
USD – GBP	-1.5%		-1.5%		0.8%		-2.2%	
EUR – GBP	0.3%		0.3%		6.7%		4.8%	
JPY – GBP	-0.3%		-0.3%		5.9%		3.1%	

	YIELD	
	Local	
<b>Sovereign and Supranational Bonds</b>		
10 Year Gilts	0.27%	
10 Year Treasuries	0.82%	
10 Year Bunds	-0.63%	

## COMMODITIES

	1 WEEK		MTD		YTD		1 YEAR	
	Local		Local		Local		Local	
<b>Energy</b>								
Brent	5.3%		5.3%		-40.2%		-36.1%	
<b>Precious Metals</b>								
Gold	3.9%		3.9%		28.6%		30.9%	

## IMPORTANT INFORMATION

MSCI: Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

The information contained in this document is believed to be correct but cannot be guaranteed. Past performance is not a reliable indicator of future results. The value of investments and the income from them may fall as well as rise and is not guaranteed. An investor may not get back the original amount invested. Opinions constitute our judgment as at the date shown and are subject to change without notice. This document is not intended as an offer or solicitation to buy or sell securities, nor does it constitute a personal recommendation. Where links to third party websites are provided, Close Brothers Asset Management accepts no responsibility for the content of such websites nor the services, products or items offered through such websites.

Close Brothers Asset Management is a trading name of Close Asset Management Limited (Registered number: 01644127) and Close Asset Management (UK) Limited (Registered number: 02998803). Both companies are part of the Close Brothers Group plc group of companies, are registered in England and Wales and are authorised and regulated by the Financial Conduct Authority. Registered office: 10 Crown Place, London EC2A 4FT. VAT registration number: 245 5013 86. CBAM6154. 10.11.2020.