



MARKET REPORT

Tuesday 7th July 2020

Market Headlines

The US ISM non-manufacturing index rebounded to 57.1, the highest level since February, up from 45.8 in May and well above the 48.9 forecast. Above 50 indicates expansion.

The US top infectious disease expert Dr Antony Fauci said the US was still knee deep in the first wave of coronavirus and needed to act immediately, as Melbourne, Australia was put back into lockdown for at least six weeks.

Hong Kong leader Carrie Lam vowed to vigorously implement the controversial new security law.

The S&P 500 rose 1.6% whilst the Nikkei 225 dropped 0.4%, the Hang Seng fell 1.5% and the Shanghai Composite closed up 0.4%. European markets opened lower.

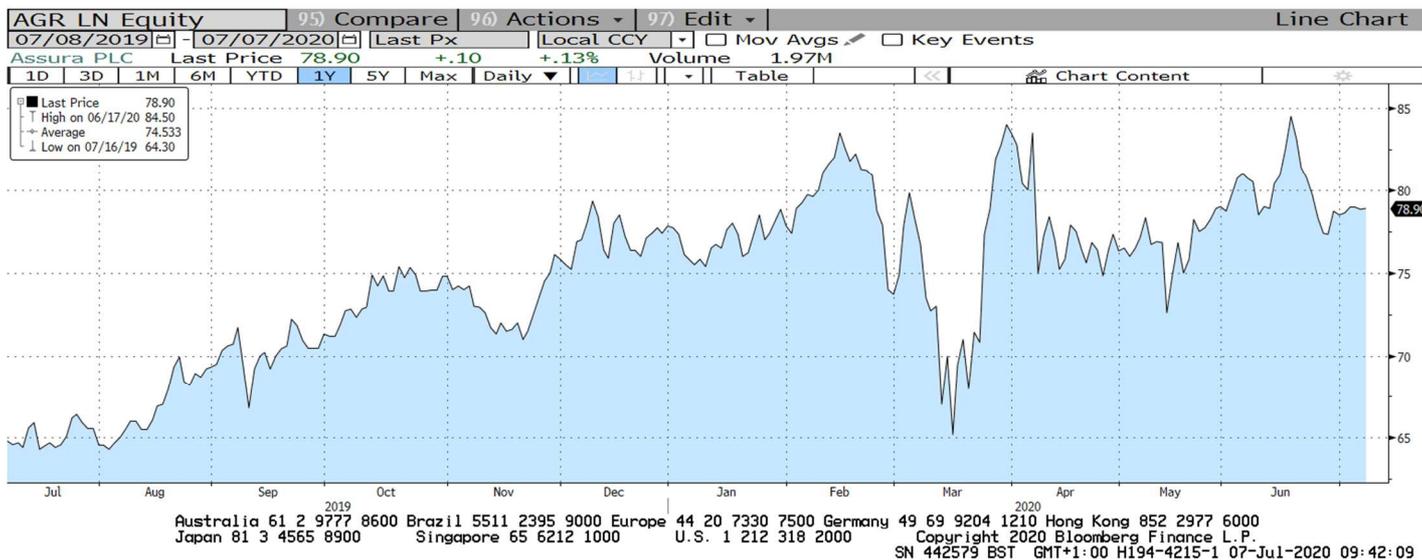
Investments on our buy list

Carmignac Portfolio - Emergents

This emerging market fund has gone from disappointing underperformer to strong outperformer, with a 3-month advance of 35.56% compared to the peer group average of 21.41%. The recent gains have been driven by a 42% exposure to China, which we highlighted yesterday as a market breaking up out of a 15-month trading range. It also has a 43% combined exposure to the Internet, Semiconductor, and Healthcare sectors – three sectors that are driving equity market gains globally. The fund units are currently priced at £166, and we may look to trim positions (take some profits) should they reach £180 in the short term.



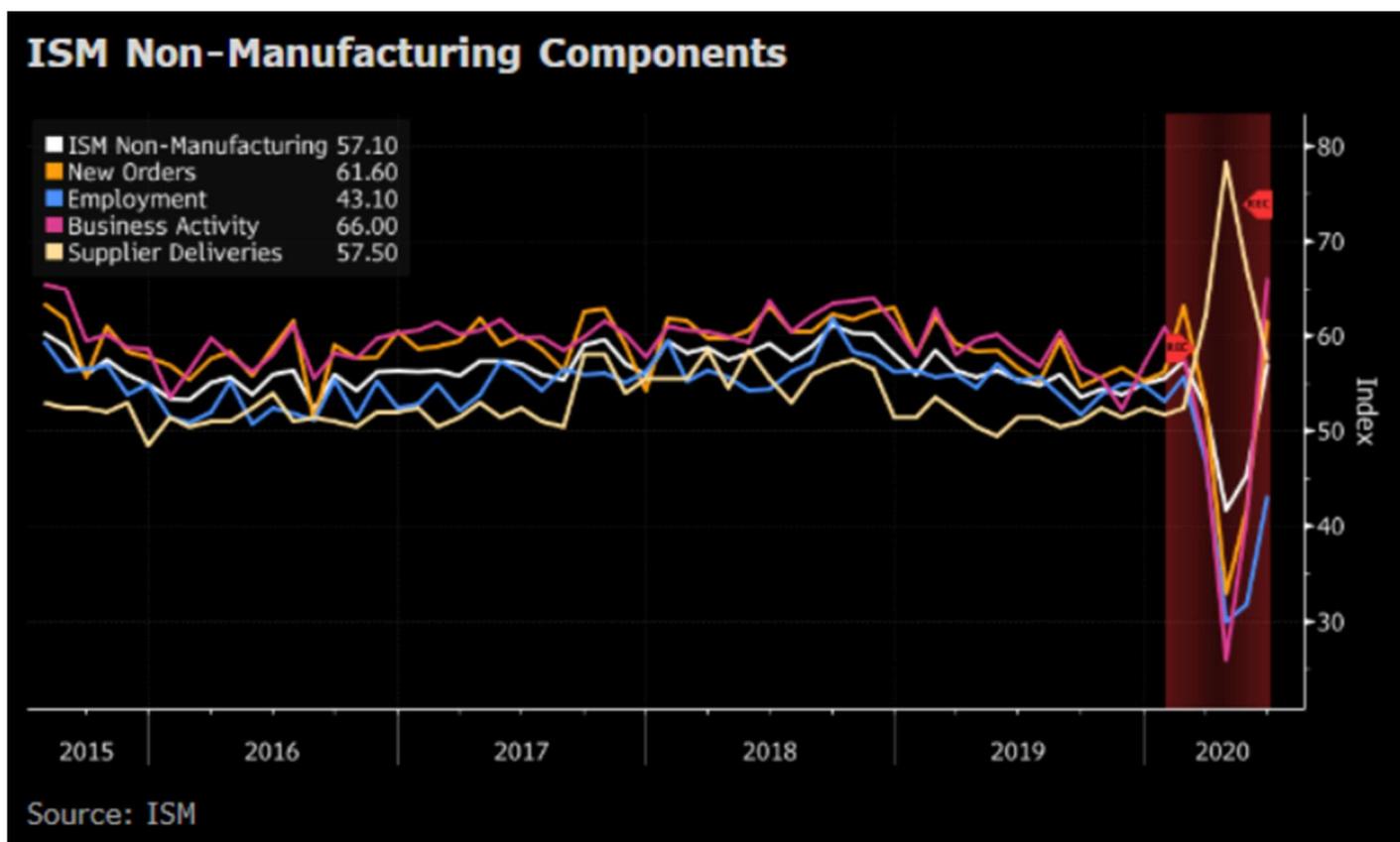
Assura (AGR) – The GP surgery owner confirms that quarter to June rents were received in-line with normal patterns. During the period 7 acquisitions were completed for £35m and a portfolio of 20 assets disposed of for £17m. They are currently on site with 18 developments at a total cost of £95m. The portfolio currently spans 565 properties with an annualised rent roll of £110.2m. The balance sheet remains strong with £300m of undrawn facilities. The solidity of income is the main/only attraction at these levels with the share price at a heady 46% premium to historic net asset value (NAV). This both limits capital growth potential, unless the premium becomes even more extended, and increases the downside risk, albeit the strength of the NHS covenant mitigates normal tenancy risk. Take profits.



Source: Bloomberg

Chart of the day

U.S. service industries jumped on the reopening of the economy according to the ISM non-manufacturing index. It increased to 57.1 in June from 45.4. The breadth of industry gains increased dramatically to 14 in June from only 4 in May. New Orders increased 19.7 points (61.6 vs 41.9 prior) but Employment remained in contraction (43.1 vs 31.8 prior). A reading above 50 signifies expansion but the bounce in the index has to be viewed in the context of severe lockdowns in the months before.



Source: Bloomberg

Recap of yesterday

Barratt Developments rose 8.0% as it noted cautious optimism with a strong forward order book of 14,326 as at 30 June, as completions for the year to June fell 29% to 12,604 and no dividend was declared. The other housebuilders also rallied on this news.

Boohoo sank 23.4% after a Sunday Times undercover reporter found a clothing manufacturer making items for one of its brands violated social distancing measures and paid less than the minimum wage. It vowed to fully investigate.

Cineworld fell 4.3% as Cineplex initiated legal proceedings against it after it pulled out of the £1.6bn merger last month.

Lloyds Banking increased 0.6% as it announced chief executive Antonio Horta-Osorio would stand down next year after ten years in the role, aiming to depart in June 2021 after a smooth transition. It also announced Robin Budenberg would succeed Norman Blackwell as chairman in January 2021.

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