Blankstone Sington

MARKET REPORT

Friday 25th September 2020

Market Headlines

UK Chancellor Rishi Sunak unveiled the Jobs Support Scheme from November, workers could receive up to 77% of their normal salaries for six months, by working at least a third of their normal hours with around 55% employer contributions. The VAT hospitality cut will be extended to March.

US initial jobless claims for the week ending 19 September were 870,000, ahead of the 843,000 forecast and the 866,000 filings the previous week.

UK government borrowing hit £35.9bn in August, the third highest monthly figure since records began in 1993, due to the economic fallout from the pandemic.

The S&P 500 added 0.3%, the Nikkei 225 rose 0.5%, the Hang Seng dropped 0.3% and the Shanghai Composite closed down 0.1%. European markets were mixed.

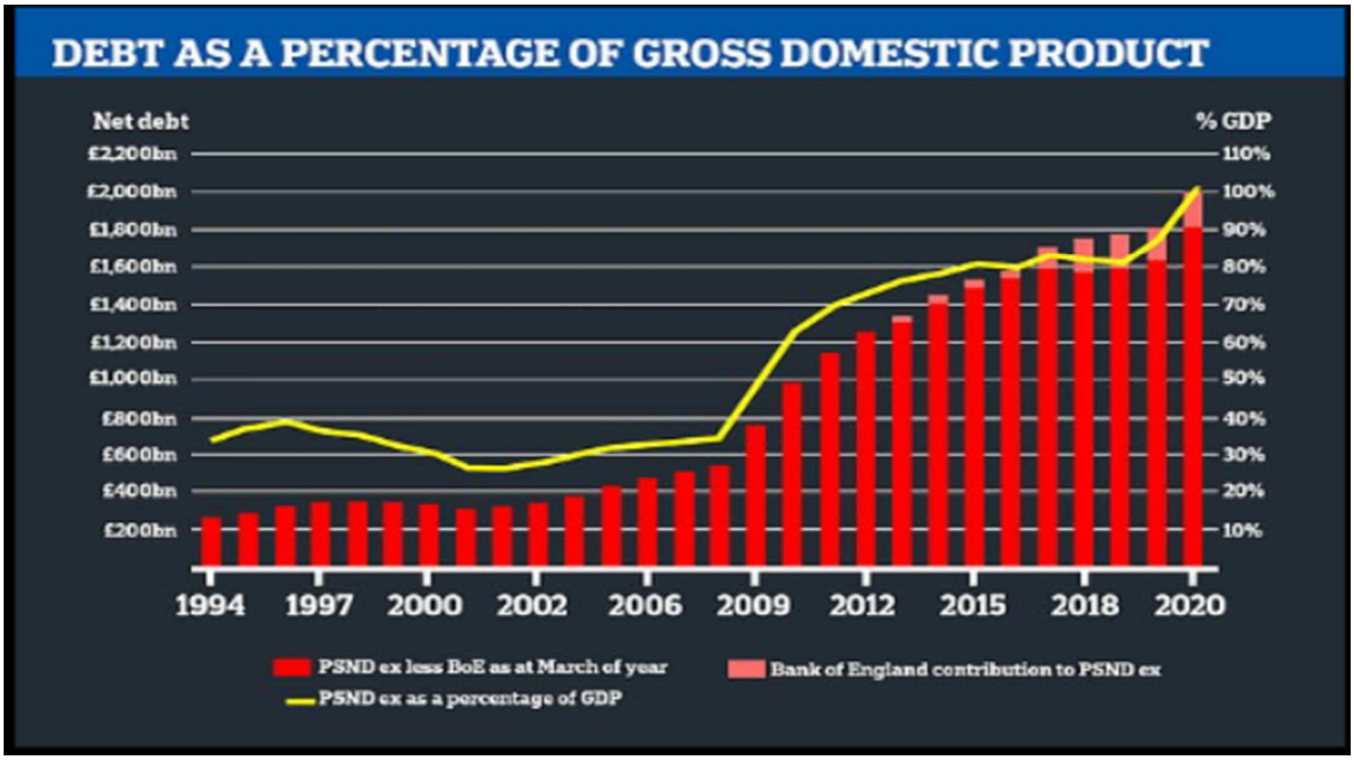
Investments on our buy list

Avast (AVST) – the cyber security software company has been a beneficiary of the move to working from home during this pandemic. With no sign of any mass returns to the office until next year, the tailwind looks set to continue to blow.
The shares trade on a growth rating but with profits set to grow by about 30% in 2020, this is justified. Since peaking at over 600p in July the share price has been in an orderly correction, touching 502p at the low point a week ago. This has provided a buying opportunity.

Source: Bloomberg

Chart of the Day

The U.K.'s national debt hit another record high at the end of August as it continued to climb above £2 trillion. U.K. government borrowing soared to £173.7bn in the first five months of the fiscal year as the costs of the coronavirus continued to mount. The budget deficit in August alone was £35.9bn and Britain has now borrowed more since a national lockdown was imposed in March than during the whole of the year following the 2008-09 financial crisis.
Net debt was £2.02 trillion last month, or 101.9% of GDP, the highest debt ratio since 1961.



Source: Bloomberg

Recap of yesterday

Cineworld slumped 14.8% as it swung to a pre-tax loss of $1.6bn from a $117.4m profit a year earlier on revenues down 67%, with admissions 65% lower due to pandemic lockdowns. Further restrictions may require an equity raise and it continued negotiations regarding debt covenants.

Mitchell & Butlers dropped 1.6% as sales for the 51 weeks to 19 September dipped 35% year-on-year, like-for-like sales in July were down 32% on reduced capacity, up 1.4% in August boosted by 'eat out to help out' and down 6.4% for the first three weeks in September.

Smiths Group slipped 7.5% as full year (to 31/7) headline operating profit fell 23% to £427m on lower second half volumes and added business continuity costs. Revenues had stabilised, down 5% in the 4 months to August and it declared a 24p final and delayed 11p interim dividend, a 45% drop for the full year.

United Utilities added 0.1% as it warned underlying operating profit would be down for the first half of the year, due to 5% lower revenues from reduced water consumption and an increase in infrastructure renewals expenditure.

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