Blankstone Sington

MARKET REPORT

Thursday 15th October 2020

Market Headlines

Chinese consumer price inflation rose 1.7% year-on-year in September, a tad below the 1.8% forecast and a slowdown from the 2.4% rate in August.

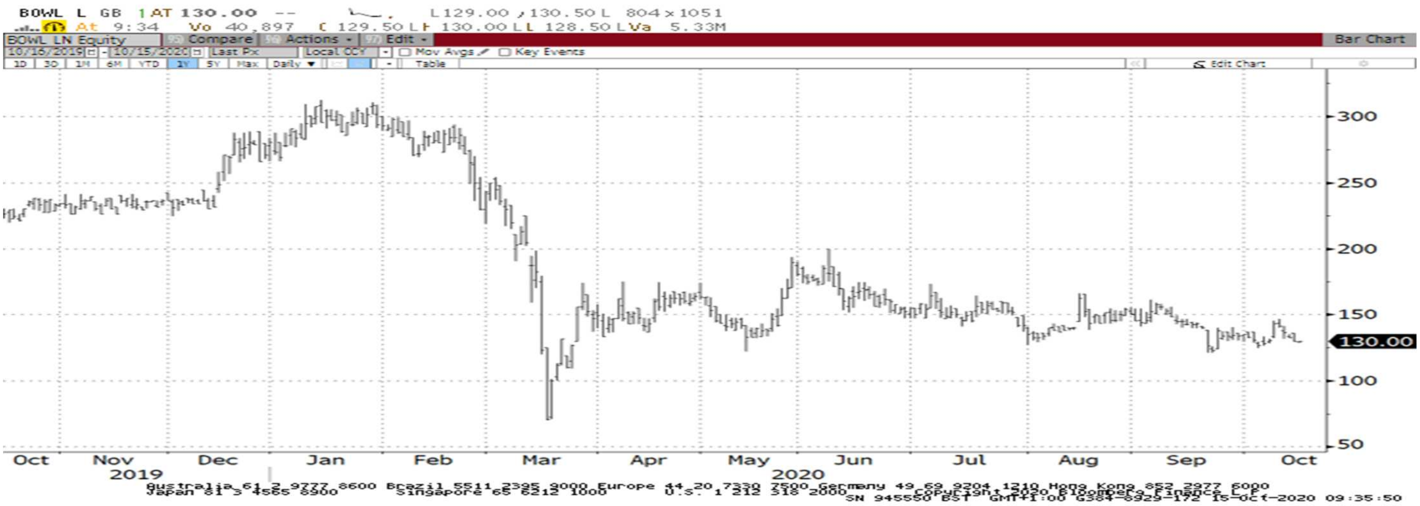
Manchester and Lancashire are widely expected to be put under tier 3 coronavirus restrictions as Northern Ireland announced a four week circuit breaker lockdown with schools taking an extended two week half term holiday.

US Treasury Secretary Steven Mnuchin appeared to extinguish hopes of a new stimulus package before the election on 3 November, as he said that despite some progress he had not reached agreement with Democrats, remaining far apart on some issues.

The S&P 500 fell 0.7%, the Nikkei 225 dropped 0.5%, the Hang Seng lost 2.0% and the Shanghai Composite closed down 0.3%. European markets were lower.

Investments on our buy list

Hollywood Bowl Group (BOWL) – said today that the coronavirus pandemic hurt the business in fiscal 2020, but that it expects to make a small profit for the year. It said that like-for-like revenues increased 0.6% during the year ended 30th September, boosted by strong performance during the first five months, when revenue was up 13% on the year or 9.4% on a like-for-like basis. The company had to endure a five-month closure of its entire estate.
Initial trading since reopening on 15th August has exceeded expectations at 68% of prior year revenue, and the balance sheet remains strong with net debt of £8.9m at year end.
A very positive statement given the circumstances with credit to the management for how they have responded to the crisis. The group's centres are operating with capacity constraints which is a drag going forward, but as long as they are able to remain open demand should be strong as they provide a family leisure option in a world of shrunken opportunities.
The shares remain depressed and we feel offer more potential upside than downside.



Source: Bloomberg

GCP Asset Backed Income (GABI) – reported that its unaudited NAV at 30th September had risen by 0.46p to 101.29p per share. All principal and loan interest were received in the period.
The shares trade at a 15% discount to NAV, presumably in anticipation of increased defaults at some point as economic conditions continue to be impacted by the pandemic. The longer the portfolio maintains its integrity and dividend growth continues, the harsher the discount appears.

Source: Bloomberg

Chart of the day

Research from Citigroup suggests that every presidential vote in the last 40 years has sparked a potential rotation from one part of the U.S. market to another no matter who is elected. This year, the contest could put value stocks in the limelight after growth shares have surged amid low interest rates and plunging bond yields.
There have been several false dawns for value stocks this year, but this time could be different thanks to earnings. Industries trading at discounts relative to profits and whose fortunes are tied tightest to the economy are enjoying some of the broadest analyst profit upgrades in years. This is partly a result of how much corporate income slid during the covid-19 pandemic, but bulls in this corner of the market are being encouraged by the performance of value over the last month.

Source: Bloomberg

Recap of yesterday

ASOS fell 10.3% as it tempered expectations due to pandemic uncertainty, despite a 20% jump in full year sales and pre-tax profit was £142.21m up from £33.1m a year earlier, thanks to reduced returns.

Just Eat Takeaway.com gained 6.4% as it said third quarter order growth accelerated with new partnerships with McDonalds and Greggs. The integration of Just Eat and Takeaway.com was on track.

Kainos surged 31.2% as it said fiscal 2021 revenues would be materially ahead of current consensus forecasts, as digital services customers continued to prioritise digital transformation programmes in the NHS and public sector.

Pearson dropped 0.9% as nine-month sales to 30 September fell 14% due to the impact of Covid-19, with second quarter sales down 28%, improving to a dip of 10% in the third quarter. It had seen a strong performance in Global Online Learning.

Online portal

We would like to remind you that you can now more easily keep up to date with the value of your account using our client portal. Please go to the Client Login section of our website to register now https://blankstonesington.co.uk/.

Telephone: **0151 236 8200** | Fax: **0151 243 3535**
Email: **enquiries@blankstonesington.co.uk** | **www.blankstonesington.co.uk**
