Blankstone Sington

MARKET REPORT

Wednesday 25th November 2020

Market Headlines

Across the UK three households will be allowed to form a Christmas bubble for five days from the 23rd to the 27th December.

UK Chancellor Rishi Sunak will unveil the Spending Review today, including a £3bn Restart programme for the unemployed, infrastructure spending and additional funds for the NHS, alongside a review of the economic damage caused by the pandemic.

The Dow Jones cracked the 30,000 mark for the first time, as world market indices hit an all time high, buoyed by vaccine news as President Trump's administration paved the way for the transition of power to President-elect Biden.

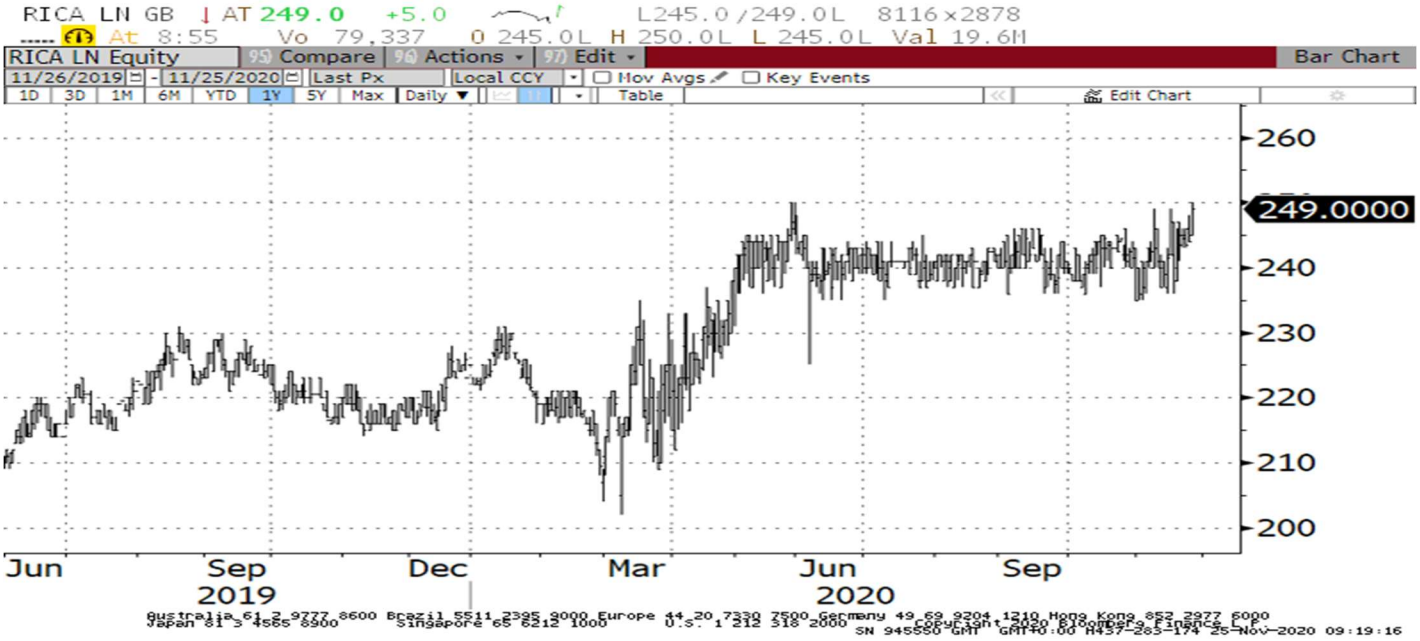
The S&P 500 rose 1.6%, the Nikkei 225 added 0.5%, the Hang Seng increased 0.3% and the Shanghai Composite closed down 1.2%. European markets were higher.

Investments on our buy list

HICL Infrastructure (HICL) – reported a solid performance in the first half with net asset value (NAV) per share growing by 1.7p to 154p per share. The company is on track to deliver target dividends of 8.25p per share in the year to 31 March 2021. Pre-tax profit for the six months was £104.1m compared with £79.3m in the same period last year.
With the shares trading on a premium to NAV the shares are more of a hold than a buy.

Source: Bloomberg

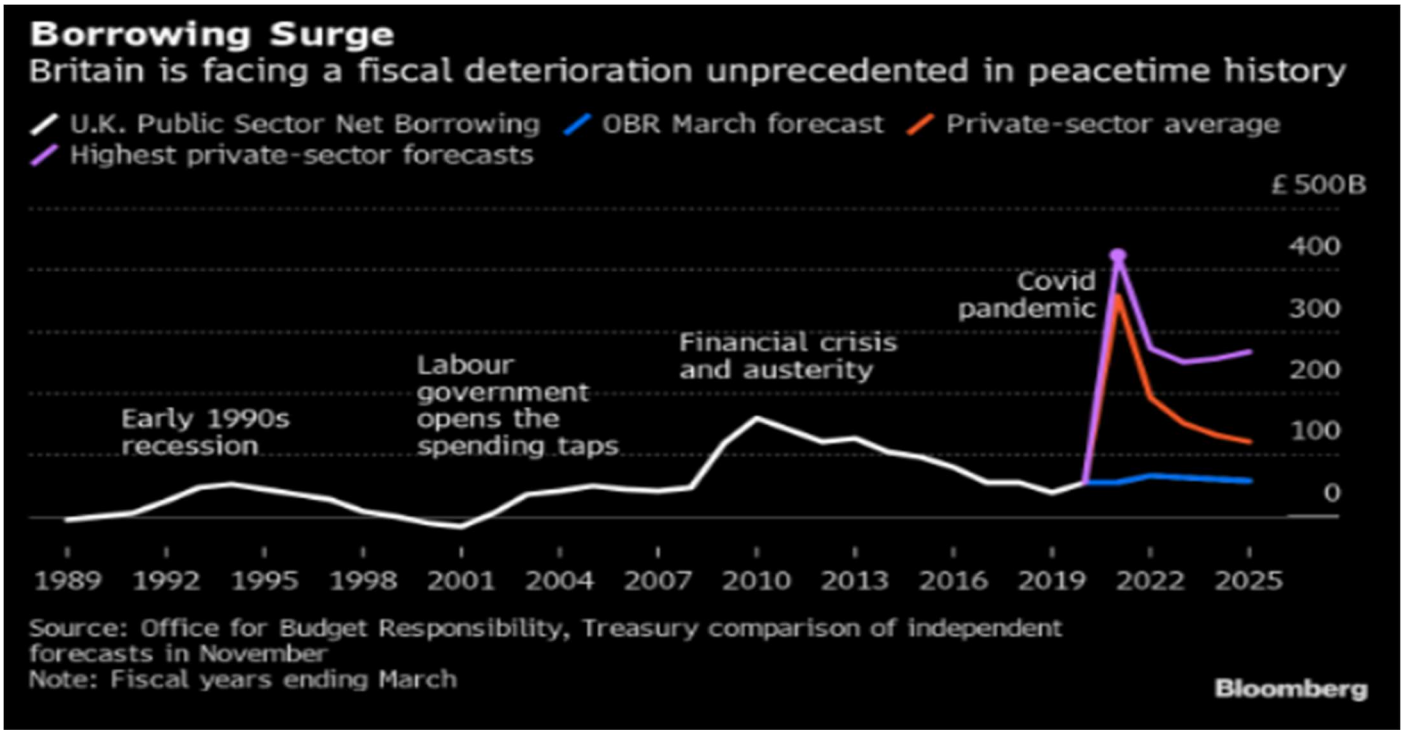
Ruffer Investment Company (RICA) – the multi-asset trust has performed exceptionally well this year, underpinned by a very successful derivatives strategy, particularly in March when equity markets crashed. At that time RICA booked large profits on options it had bought to protect against a rise in volatility, and on put options bought to protect against falls in equities.
Its shares, which are at a small discount to NAV, have traded sideways for six months but now appear to be breaking upwards. With the strong performance in many equity funds recently now may be an opportune time to switch some exposure into this fund.



Source: Bloomberg

Chart of the day

Chancellor of the Exchequer Rishi Sunak will today reveal the U.K.'s crucial spending review. In it he will outline tens of billions of pounds of expenditure, ranging from fixing potholes to buying warships. Unlike budgets spending reviews aren't used to set or alter taxes. But given the dire state of public finances – the national debt now exceeds 100% of gross domestic product for the first time since the 1960's – Sunak may hint at how he aims to eventually rein in the deficit.
The Office for Budget Responsibility will publish forecasts revealing what Sunak described on Sunday as "the enormous strain and stress" on the economy. They're expected to show GDP shrinking around 11% this year – the most in over 300 years – and the budget deficit approaching 400 billion pounds, a peacetime record.



Recap of yesterday

AO World fell 9.9% as it swung to an interim pre-tax profit (to 30/9) of £18.3m from a loss of £5.9m a year earlier, total revenues jumped 53.2% due to surging online sales during the pandemic.

Compass added 2.5% as it reported full year (to 30/9) pre-tax profit down 86% to £210m on revenues 20% lower. It had returned to profitability in the fourth quarter, but no dividend was declared.

Cranswick closed up 0.3% as interim pre-tax profit to (30/9) grew 13.3% to £53.7m year-on-year on revenues 28.8% higher, driven by continued strong demand from Far Eastern markets and growth in trade with EU customers and the dividend was hiked 13%. It had made a strong start to the year.

Intertek dropped 6.4% as it said it expected to report a mid-single-digit like-for-like revenue fall for the year, having seen improved performance in the July-to-October period. The first ten months of the year saw like-for-like sales decline 7.3%.

Online portal

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