MARKET REPORT

Wednesday 13th January 2021

Market Headlines

With Vice President Mike Pence refusing to invoke the 25th Amendment to strip the President of power in his dying days of office, up to five Republicans were set to join Democrats in a vote to impeach the President.

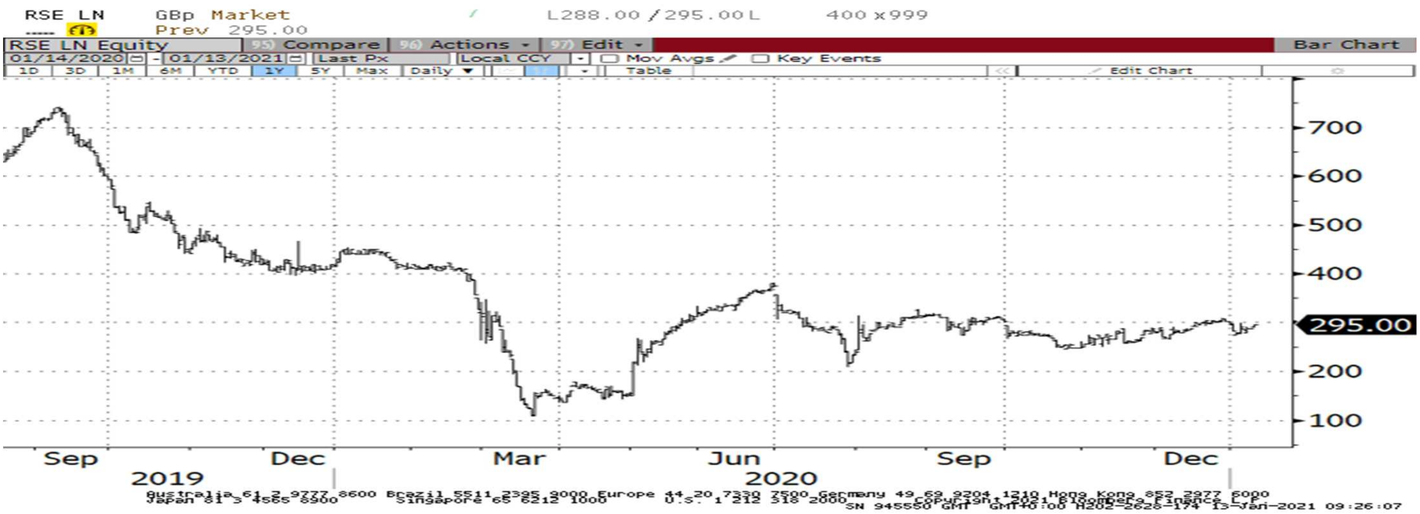
The oil price continued its ascent to levels last seen in February last year, after a larger than expected decline in US crude inventories, as Brent crude topped $57.

The UK government was warned by the major supermarkets that urgent intervention was required to prevent further disruption to Northern Ireland food supplies, following product shortages in the wake of post-Brexit arrangements.

The S&P 500 was flat, the Nikkei 225 added 1.0%, the Hang Seng dipped 0.1% and the Shanghai Composite closed down 0.3%. UK indices were broadly flat.

Investments on our buy list

Riverstone Energy (RSE) – today's announcement from Riverstone Energy that it has agreed to invest $25m in Loanpal LLC, the leading U.S. sustainable home improvement fintech provider (solar systems) is further evidence of its move away from oil and gas towards sustainable energy. This change in emphasis, to take advantage of energy transition tailwinds, is happening in tandem with improving fundamentals for its residual carbon assets.
At the end of October, the company reported NAV per share of $5.74/£4.46 (as at 30 September). Since then a 47% increase in the U.S. crude price should have helped to noticeably improve the NAV, although in sterling terms this will have been tempered by a rise in sterling against the dollar. The share price is at a 33% discount to last reported NAV, and we expect this gap to continue to narrow as sentiment towards the company continues to improve.



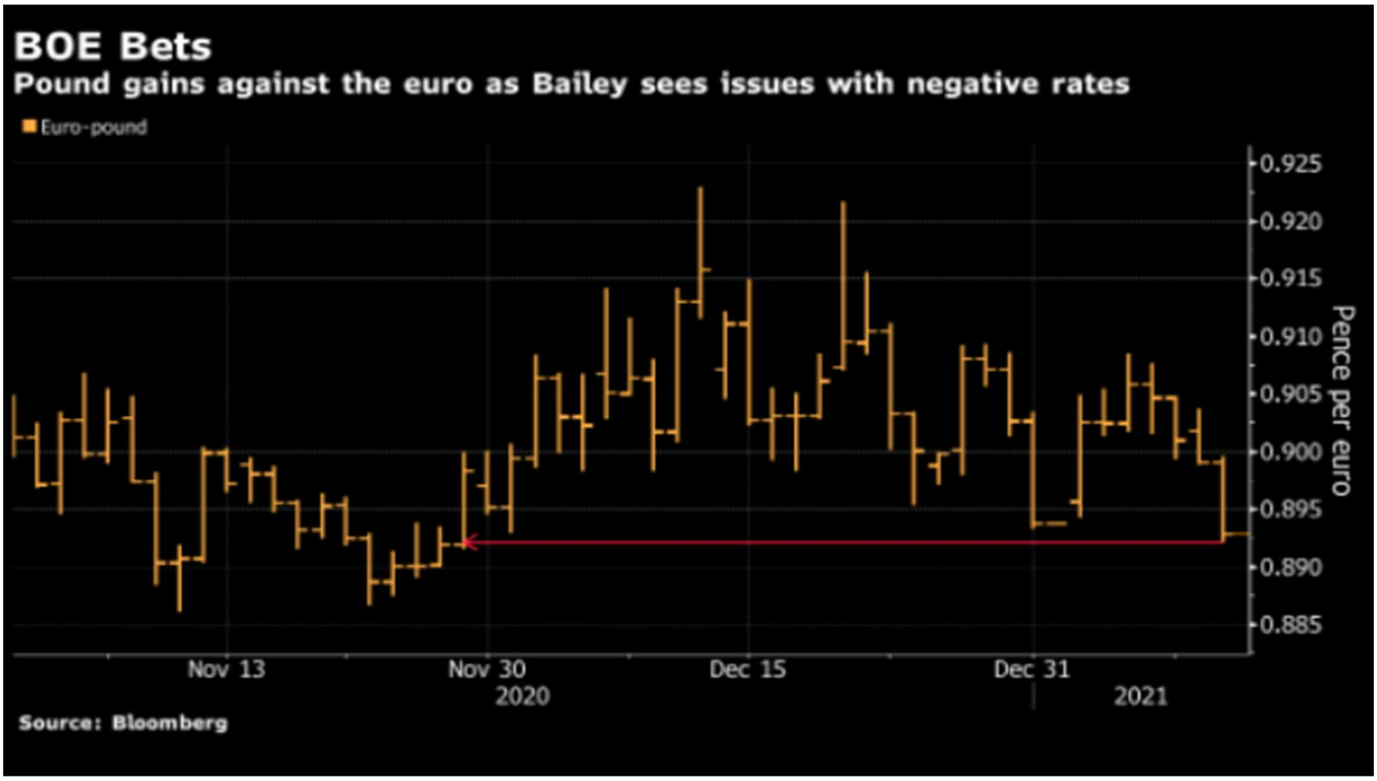
Source: Bloomberg

Hipgnosis Song Fund (SONG) – yet another high-profile catalogue purchase, this time that of Shakira, the bestselling female Latin artist of all time. SONG has acquired 100% of Shakira's 145-song catalogue including music publishing rights, for an undisclosed amount.
The fundamentals for the fund remain positive but the recent aggressive asset-grabbing makes us a little cautious in the short-term. The share price has not (so far) reacted to today's news suggesting it has priced-in the positives for now.

Source: Bloomberg

Chart of the day

The pound rallied today as traders pushed back expectations for when the Bank of England might cut borrowing costs to the end of the year, after Governor Andrew Bailey said there were a lot of issues with negative rates. The comments by Bailey damped speculation that a rate move to 0% could come as soon as next month.
The pound was up 0.8% against the dollar to $1.3681 last night, with the dollar weakening across the board. Against the euro it reached its strongest since November at 89.21 pence.



Source: Bloomberg

Recap of yesterday

Games Workshop fell 6.7% as it lowered its interim dividend by 20% to 80p and warned on current trading conditions. For the six months to 29 November pre-tax profits rose 56% to £91.6m, on revenues 26% higher, as online sales grew 87% with a drop of 19% in retail.

Kingfisher rose 1.8% as it continued to benefit from the DIY boom under lockdown restrictions. For the fourth quarter to 9 January like-for-like sales grew 17%, as it confirmed it was comfortable with the top end of consensus estimates.

Rathbones added 2.5% as it said funds under management and administration grew 8.6% to £54.7bn as at 31 December from a year earlier, with net inflows of £2.1bn for 2020, up from £0.6bn the previous year.

Vistry dipped 0.2% as it guided to the upper end of expectations following a strong second half, with full year pre-tax profits expected to be down by a quarter to around £140m year-on-year. It intended to resume dividend payments with a modest final pay-out for 2020.

Online portal

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