



MARKET REPORT

Tuesday 26th January 2021

Market Headlines

US President Biden said he expected talks with Republicans in Congress to take another two weeks regarding his \$1.9tn proposed pandemic relief plan.

The UK unemployment rate rose to 5.0% in the three months to November, up from 4.9% the previous month, a tad below the 5.1% rate forecast.

The World Economic Forum's Davos Agenda will see keynote speeches from European Commission President Ursula von der Leven and German Chancellor Angela Merkel.

The S&P 500 added 0.4%, the Nikkei 225 dropped 1.0%, the Hang Seng lost 2.6% and the Shanghai Composite closed down 1.5%. European markets were higher.

Investments on our buy list

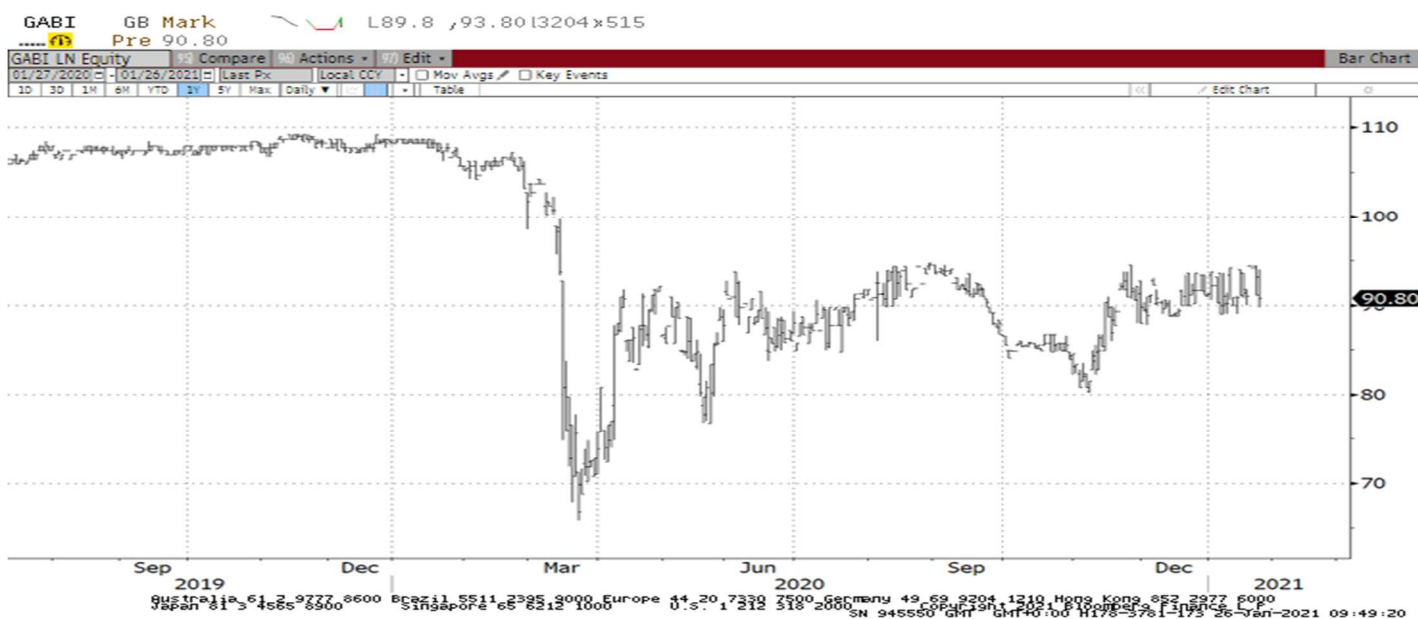
LXi REIT (LXI) – the group provided a trading update for the quarter to 31st December 2020. Its portfolio was valued at £907.25m by the independent valuer, reflecting a 1.7% like-for-like increase on the 30th September valuation. The key drivers behind the increase were the continued outperformance of two of the sectors where the group has some of its largest exposures, industrial and food-stores, which are benefitting from attractive supply and demand fundamentals and a strong investment market, as well as the effect of the embedded income growth within the portfolio. The unaudited IFRS NAV was reported to be 123.2 pence per share.

The portfolio continues to perform strongly with robust ongoing rent collection. We remain positive and expect the share price to extend its uptrend.



GCP Asset Backed Income (GABI) – this morning announced an increase in its final quarterly dividend to 1.575p. Therefore, total dividends for year ended December 2020 are 6.475p v 6.45p in 2019. This equates to a fully covered yield of 7.1%.

Confidence is gradually rebuilding in GABI, and the more time that passes without any major impairments in its portfolio, the more the share price should continue to rise towards previous levels over 100p.



Source: Bloomberg

Chart of the day

U.S. stocks are moving ever less in tandem, to a degree that has preceded equity market sell-offs in recent years. The S&P 500 Index's three-month realised correlation – a gauge of how closely the top stocks in the benchmark move relative to each other – has fallen to 0.16. A maximum possible correlation of 1 would signify all the shares are moving in lockstep. Behind much of the decline is a combination of the reflation trade stock rotation and equity moves due to earnings season, but low correlations are also seen as a sign of weakening market breadth and have occurred before recent stock market corrections.



Source: Bloomberg

Recap of yesterday

ASOS added 5.6% as it confirmed it was in talks to buy the Topshop, Topman, Miss Selfridge and HIIT brands from Arcadia.

JTC rose 2.8% as it reiterated full year guidance, noting strong new business performance.

Travel stocks declined again on tighter border restrictions being put in place globally. International Consolidated Airlines declined 7.6% and easyJet dropped 6.7 %.

TI Fluid dipped 2.1% as it noted its exceptional performance in the last few months of 2020. Adjusted full year earnings would be slightly better than expected, though it would not be paying a final dividend.

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