

Quarterly Investment Round Up

Q3 2020

Introduction

Global stock markets have grown for the 2nd quarter in a row, albeit somewhat quieter in Q3 compared to their recovery in Q2. Interestingly, the 5 month performance from April through to August has been the best since 1938. Information technology businesses performed well again over the quarter as did companies who benefitted from people staying at home.

UK Equities

After significant gains in Q2, UK equities had a disappointing quarter with both oil and financial sectors pulling down performance. Over the quarter the FTSE100 was down by nearly 4.8%, whilst the FTSE250 showed a positive growth of 1.3%. The bulk of the gains occurred in July and August with the easing of lockdown and government incentives including 'Eat Out to Help Out'.

UK stocks lagged behind other major regions year to date. The FTSE UK index has fallen by 22.5% since the beginning of January whilst the FTSE All World ex-UK equivalent has grown by 2.9%.

Lack of clarity on post Brexit EU trading deal continues to weigh heavily on UK equities

US Equities

Large cap equities in the US have been some of the strongest performers. The S&P 500 (which is quite heavily technology based) is nearly back to levels prior to the crisis, albeit small caps continue to lag behind.

Overall, Q3 still saw 10 of the 11 market sectors return positive performances.

Large US growth stocks are up over 24% year to date, whilst large value stocks are down by nearly 12%



European Equities

**Inflation drifted into the negative
September was lowest since 2015**

Eurozone equities were virtually flat this quarter and lagged behind other global sectors following Covid infections sharply rising – causing local restrictions to be put in place to help manage the increase.

The EU launched the European Recovery Plan in July whereby 750bn Euros will channelled in the form of grants and loans to those member states most affected by Covid.

Fixed Income

Massive amounts of money have been injected into global economies and interest rates remain low, meaning cash and safe bonds are at historically low levels. When factoring inflation into these returns, the 'real return' from these types of investments is negative. This is likely to result in many investors moving into more riskier asset classes such as equities with the aim of obtaining returns which are outperforming inflation.

Index Returns

STOCK MARKET RETURNS	% Change Q3 2020	% Change 12 months
FTSE All Share	-2.9	-16.6
S&P 500	4.1	9.8
FTSE Eurofirst (ex UK)	-3.0	-13.6
MSCI World	3.2	5.2
MSCI Emerging Markets	0.0	-5.4

BOND MARKET INDICES	% Change Q3 2020	% Change 12 months
FTSE Actuaries UK Conventional Gilts All Stocks	-1.23	3.41
FTSE Actuaries UK Indexed Linked Gilts All Stocks	-2.18	0.40
Iboxx GBP Non Gilts Overall TR Index	0.66	3.58

Source: BlackRock and Russell, Sept 2020. This is for information purposes only.