

UK markets – what's going on and why is the USA doing better than us?

Friday 16 October 2020





Blair Mullen
Divisional Director

Tel: 0292 034 7614
Email: blair.mullen@brewin.co.uk

5 Callaghan Square, Cardiff CF10 5BT



Review of Year to date



Impact of COVID-19



Key Market Drivers



Impact on Income

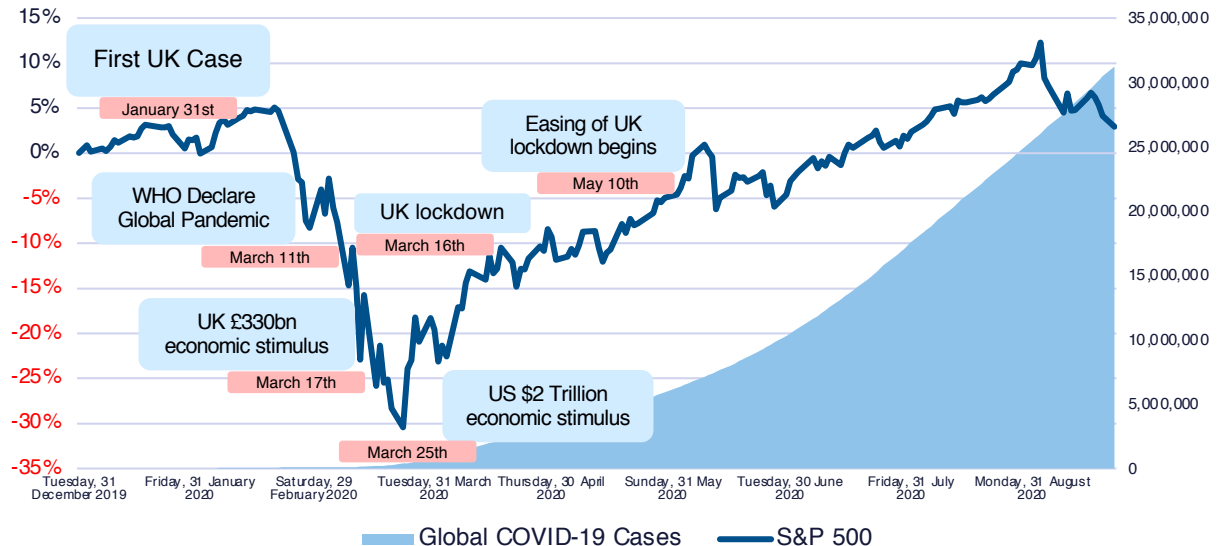


Outlook

This publication is for FCA authorised individuals only and should not be distributed in whole or in part to retail clients.

COVID-19: the human story so far

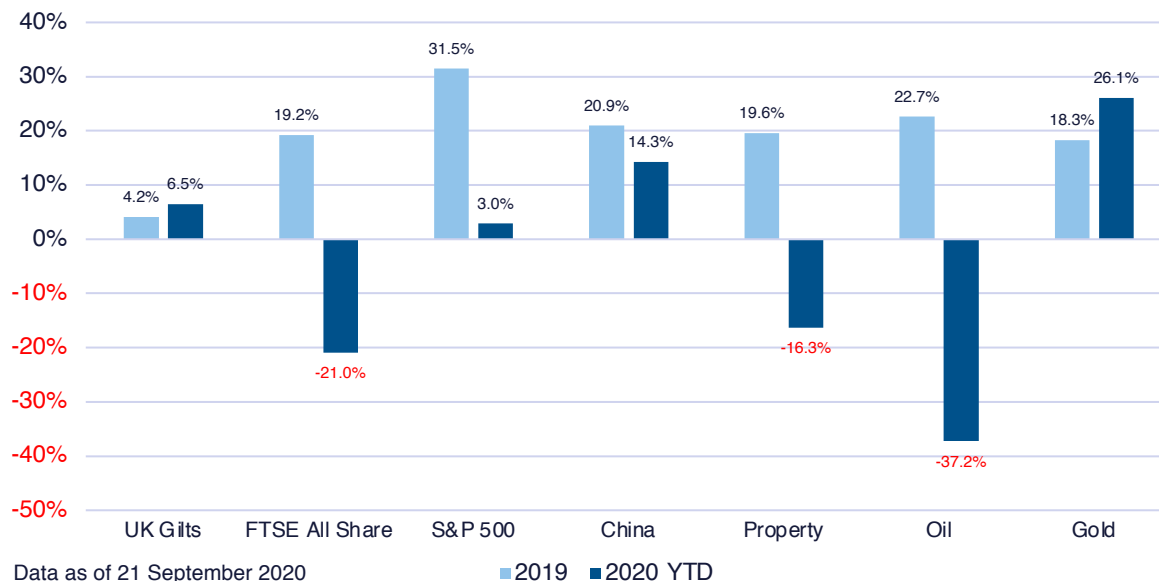
Confirmed COVID-19 Cases vs S&P 500 Total Return YTD As of 21 September 2020



Source: S&P 500 Total Return YTD 2020 - Thomson Reuters Eikon (Refinitiv), Data Retrieved 22 September 2020. Data used: S&P 500 (S&P 500 Index – CBOE, .SPX)
 Source: COVID-19 Global Cases YTD 2020 - Thomson Reuters Eikon (Refinitiv), Data Retrieved 22 September 2020. Data used: Global COVID-19 Cases (World, Coronavirus (COVID-19), Total Cases, Volume - XWCCOV=ECI)

The information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness.

What has happened to Markets?



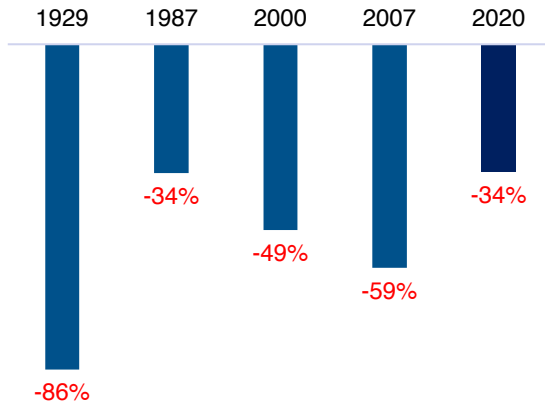
Source: Thomson Reuters Eikon (Refinitiv), Data Retrieved 22 September 2020.

Data used: UK Gilts (FTSE Actuaries UK Conventional Gilts All Stocks Index, .FTFS), FTSE All Share (FTSE All Share Index, .FTAS), S&P 500 (S&P 500 Index – CBOE, .SPX), China (MSCI China Price Index USD End of Day, .dMICN00000PUS), Property (MSCI United Kingdom IMI (STD) Liquid Real Estate Price Index GBP End of Day - .DMIUK0LRE2PGB), Gold (Gold Spot Multi-Contributor, XAU), Oil (ICE Europe Brent Crude Electronic Energy Future, LCOc1).

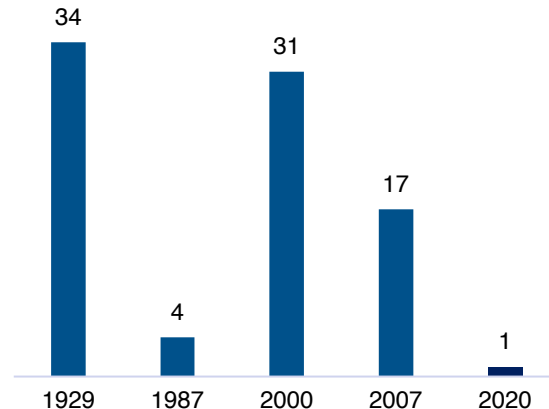
The information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness. Past performance is not a guide to future performance.

Putting markets in context: the US

Peak-to-Trough Market Declines
Declines of the S&P 500 (Total Return, %)



Length of Market Declines
Declines of the S&P 500 (Months)



Source: ISI, Bloomberg, National Bureau of Economic Research, Haver Analytics, FMRCo (Asset Allocation Research Team) as of February 26, 2020. Data based on S&P 500 Index price returns. Duration ends with a complete retracement of losses. Recessions are defined by the National Bureau of Economic Research. Past performance is no guarantee of future results. You cannot invest directly in an index. The S&P 500®, a market capitalization-weighted index of common stocks, is a registered service mark of the McGraw-Hill Companies, Inc. and has been licensed for use by Fidelity Distributors Corporation.

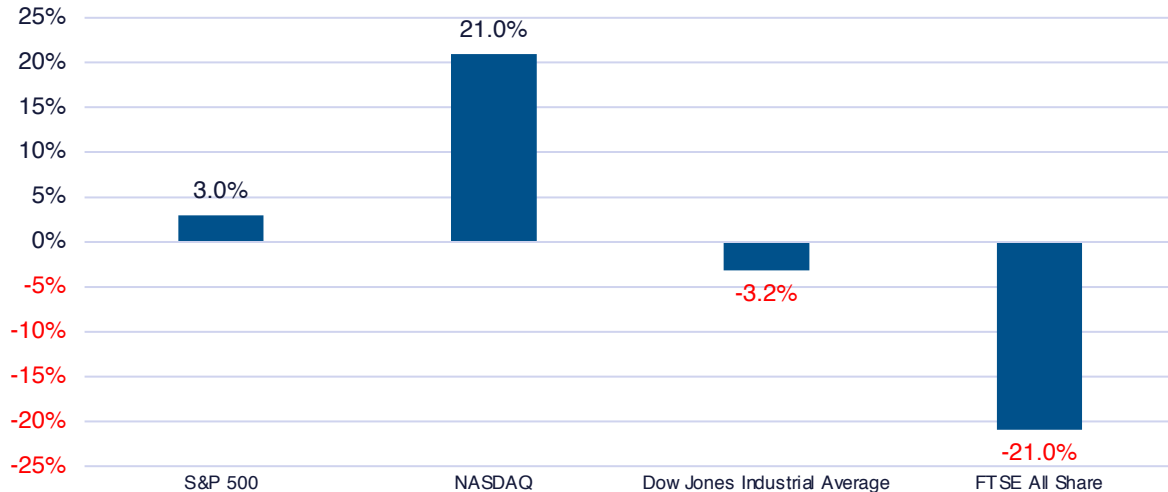
Retrieved at <https://www.fidelity.com/viewpoints/market-and-economic-insights/bear-markets-the-business-cycle-explained>

Additional Source: Thomson Reuters Eikon, S&P 500 Index - CBOE, .SPX, Data Retrieved 17-07-2020

The information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness. Past performance is not a guide to future performance.

An Evolving Landscape

US and UK Indices Performance YTD



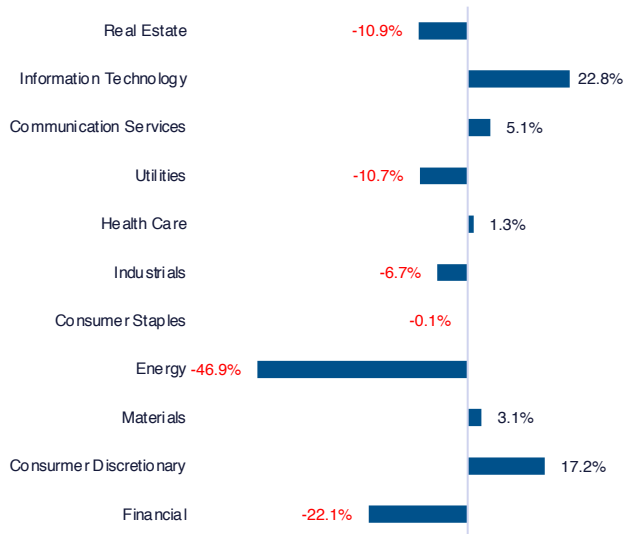
Source: Thomson Reuters Eikon (Refinitiv), Price Return YTD as of 21-09-2020, Data Retrieved 22-09-2020.

Data used: FTSE All Share (FTSE All Share Index, .FTAS), S&P 500 (S&P 500 Index – CBOE, .SPX), NASDAQ (NASDAQ Composite Index, .IXIC), Dow Jones Industrial Average (Dow Jones Industrial Average Index, .DJI).

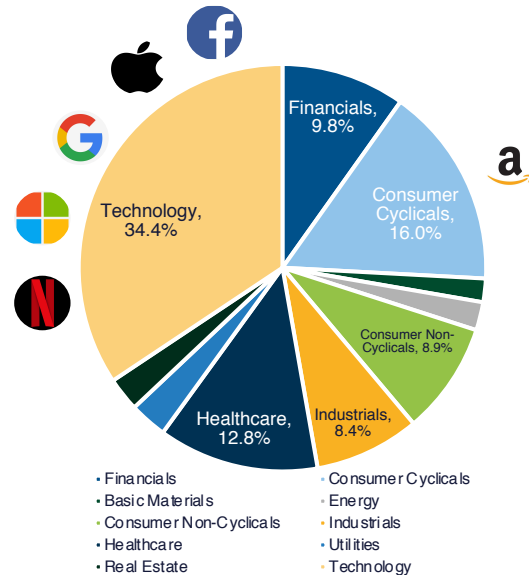
The information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness. Past performance is not a guide to future performance.

An Evolving Landscape

S&P 500 Sector Performance YTD



S&P 500 Sector Breakdown

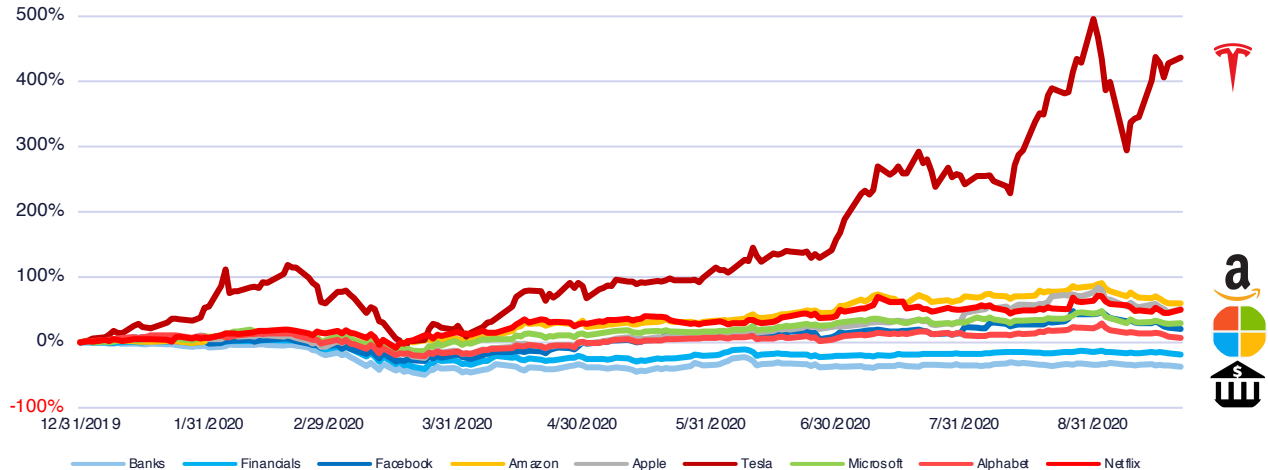


Source: Thomson Reuters Eikon (Refinitiv), Price Return YTD as of 21-09-2020, Data Retrieved 22-09-2020. Sector data also provided by Thomson Reuters Eikon (Refinitiv), Data Retrieved 22-09-2020, S&P 500 Index - CBOE, .SPX.

The information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness. Past performance is not a guide to future performance.

An Evolving Landscape

FAATMAN vs Banks & Financials YTD



Banks -37.3% Financials -18.3% Facebook 21.0% Amazon 60.3% Apple 51.2% Tesla 437.2% Microsoft 29.7% Alphabet 7.2% Netflix 50.7%

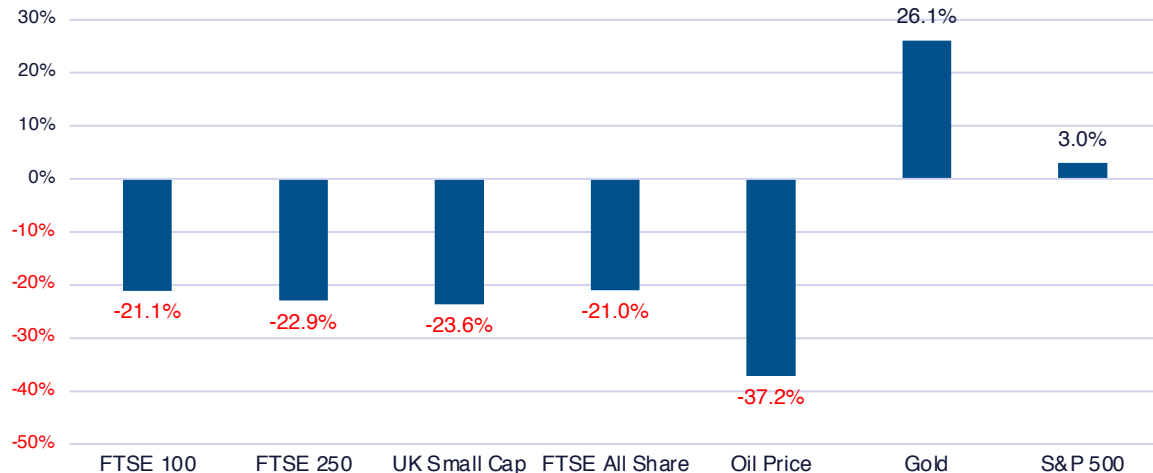
Source: Thomson Reuters Eikon (Refinitiv), Total Return YTD as of 21-09-2020, Data Retrieved 22-09-2020. Sector data also provided by Thomson Reuters Eikon (Refinitiv), Data Retrieved 22-09-2020.

Data used: US Banks (Dow Jones US Banks Index, .DJUSBK), US Financials (Dow Jones U.S. Financials Index, .DJUSFN), Facebook (Facebook Inc, FB.O), Amazon (Amazon.com Inc, AMZN.O), Apple (Apple Inc, AAPL.O), Tesla (Tesla Inc, TSLA.O), Microsoft (Microsoft Corp, MSFT.O), Alphabet (Alphabet Inc, GOOG.O), Netflix (Netflix Inc, NFLX.O).

The information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness. Past performance is not a guide to future performance.

The UK: a contrasting story

UK Indices Performance YTD Total Return



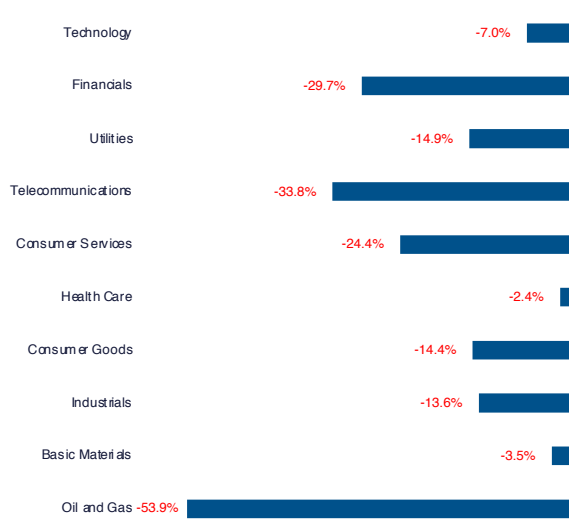
Source: Thomson Reuters Eikon (Refinitiv), Price Return YTD as of 21-09-2020, Data Retrieved 22-09-2020.

Data used: FTSE 100 (FTSE 100 Index, .FTSE), FTSE 250 (FTSE 250 Index, .FTMC), UK Small Cap (iShares MSCI UK Small Cap UCITS ETF GBP (Acc), .CUKS.L), FTSE All Share (FTSE All Share Index, .FTAS), S&P 500 (S&P 500 Index – CBOE, .SPX), Gold (Gold Spot Multi-Contributor, XAU), Oil (ICE Europe Brent Crude Electronic Energy Future, LCOc1).

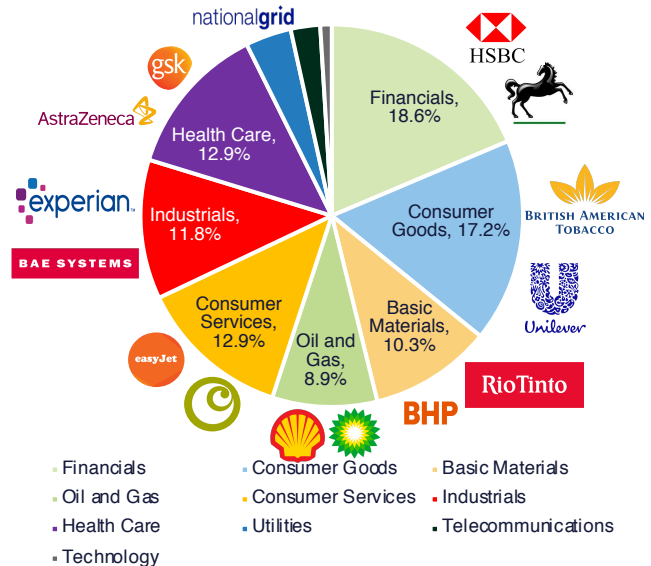
The information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness. Past performance is not a guide to future performance.

The UK: a contrasting story

FTSE All Share Sector Performance YTD



FTSE All Share Sector Breakdown



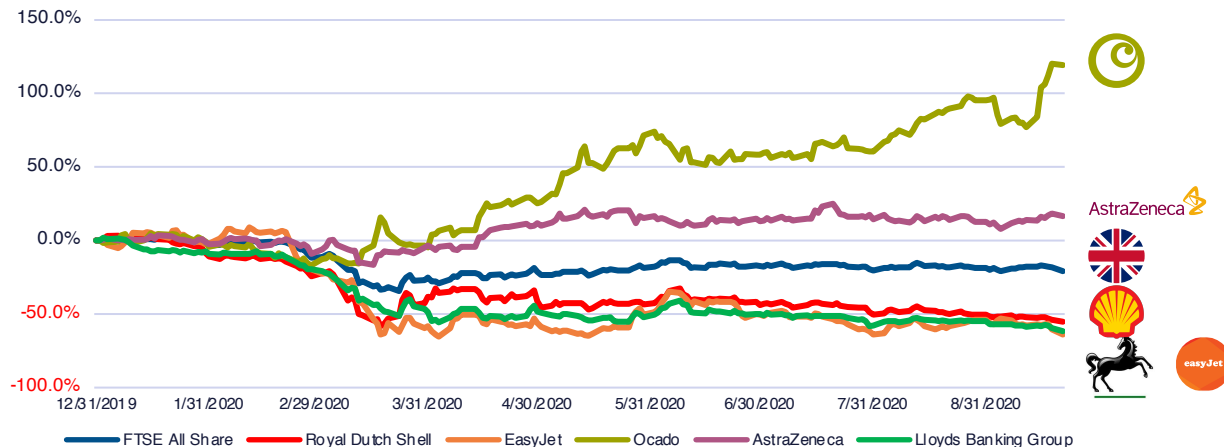
Source: Thomson Reuters Eikon (Refinitiv), Price Return YTD as of 21-09-2020, Data Retrieved 22-09-2020. Sector data also provided by Thomson Reuters Eikon (Refinitiv), Data Retrieved 22-09-2020, FTSE All Share (FTSE All Share Index, .FTAS).

The information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness. Past performance is not a guide to future performance.

The UK: a contrasting story

Key Movers within the UK

Year to Date, as of 21st September 2020



EasyJet	Lloyds Banking Group	Royal Dutch Shell	FTSE All Share	AstraZeneca	Ocado
-63.9%	-61.6%	-55.1%	-21.0%	16.5%	119.2%

Source: Thomson Reuters Eikon (Refinitiv), Price Return YTD as of 21-09-2020, Data Retrieved 22-09-2020. Sector data also provided by Thomson Reuters Eikon (Refinitiv), Data Retrieved 22-09-2020.

Data used: FTSE All Share (FTSE All Share Index, .FTAS), Royal Dutch Shell (Royal Dutch Shell PLC, RDSb.L), EasyJet (Easyjet PLC, EZJ.L), Ocado (Ocado Group PLC, OCDO.L), AstraZeneca (AstraZeneca PLC, AZN.L), Lloyds Banking Group (Lloyds Banking Group, LLOY.L).

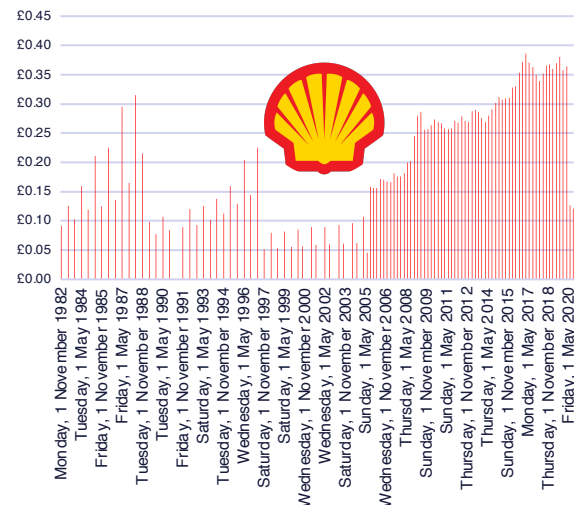
The information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness. Past performance is not a guide to future performance.

Impact upon Income

UK's Top 10 Dividend Payers Based on the Past 5 Years

Royal Dutch Shell	Cut
BP	Cut
Vodafone	Cut
Rio Tinto	Cut
BHP	Cut
Lloyds Banking Group	Suspended
HSBC	Suspended
GlaxoSmithKline	Flat
AstraZeneca	Grew
British American Tobacco	Grew

Royal Dutch Shell Dividend History Net Payment Data November 1982 - September 2020



Source: Baillie Gifford & Co. and Eikon content from Refinitiv. Reflects dividend decisions as at 21 September 2020.

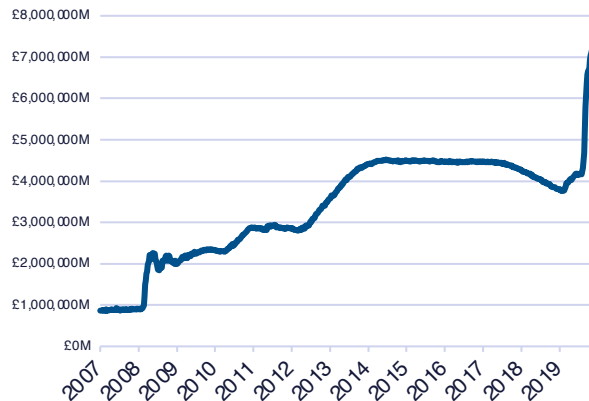
Source: Dividend history retrieved from Thomson Reuters Eikon (Refinitiv) and accurately reflects as of 21-09-2020, Data Retrieved 22-09-2020. Data used: Royal Dutch Shell (Royal Dutch Shell PLC, RDSb.L).

The information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness. Past performance is not a guide to future performance.

Impact upon fixed income investments

Government Balance Sheets have Expanded

Federal Reserve
Recent Balance Sheet Trends



Rates of Return from safe assets at all time **lows**

10 Year Government Bonds
Bond Yields



Source: The Federal Reserve Recent Balance Sheet Trends, The Federal Reserve, Data correct as at 21-09-2020, Data Retrieved 22-09-2020, accessed from https://www.federalreserve.gov/monetarypolicy/bst_recenttrends_accessible.htm

Source: 10 Year Government Bonds, Thomson Reuters Eikon (Refinitiv), Price Return YTD as of 21-09-2020, Data Retrieved 22-09-2020.

Data used: UK (United Kingdom 10 Year Benchmark, GB10YT=RR), US (United States 10 Year Benchmark, US10YT=RR), Europe (Euro 10 Year Benchmark, EU10YT=RR).

The information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness. Past performance is not a guide to future performance.

How does Sterling fit into all of this?

Sterling YTD Performance Relative to Major Global Currencies



Source: Thomson Reuters Eikon (Refinitiv), Price Return YTD as of 21-09-2020, Data Retrieved 22-09-2020.

Data used: US Dollar (UK Pound Sterling/US Dollar FX Spot Rate, GBP=), Euro (UK Pound Sterling/Euro FX Spot Rate, GBPEUR=), Japanese Yen (UK Pound Sterling/Japanese Yen FX Spot Rate, GBPJPY=).

The information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness. Past performance is not a guide to future performance.

The US Election

Presidents Tend to Lose When There's an Election-Year Recession

Re-Election Date	President		Recession Two years Before Election	Wins Re-Election
11/5/1912	William Taft	R	Recession	No
11/7/1916	Woodrow Wilson	D	Recession	Yes
11/4/1924	Calvin Coolidge	R	Recession	Yes
11/8/1932	Herbert Hoover	R	Recession	No
11/3/1936	Franklin Roosevelt	D	No Recession	Yes
11/5/1940	Franklin Roosevelt	D	No Recession	Yes
11/7/1944	Franklin Roosevelt	D	No Recession	Yes
11/2/1948	Harry Truman	D	No Recession	Yes
11/6/1956	Dwight D. Eisenhower	R	No Recession	Yes
11/3/1964	Lyndon B. Johnson	D	No Recession	Yes
11/7/1972	Richard Nixon	R	No Recession	Yes
11/2/1976	Gerald Ford	R	Recession	No
11/4/1980	Jimmy Carter	D	Recession	No
11/6/1984	Ronald Reagan	R	No Recession	Yes
11/3/1992	George H.W. Bush	R	Recession	No
11/5/1996	Bill Clinton	D	No Recession	Yes
11/2/2004	George W. Bush	R	No Recession	Yes
11/6/2012	Barack Obama	D	No Recession	Yes
11/3/2020	Donald Trump	R	?	?

Source: Ryan Detrick, LPL Financial

Source: Accessed 17-07-2020 via <https://www.foxbusiness.com/economy/wilbur-ross-left-wing-media-trying-to-trigger-a-recession>

The information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness.



Since 1900, only two presidents have won their **second election** with a recession occurring sometime in the last two years of their first term:

William McKinley (1901)
Woodrow Wilson (1916)

Outlook



Pandemic
Control



Unemployment



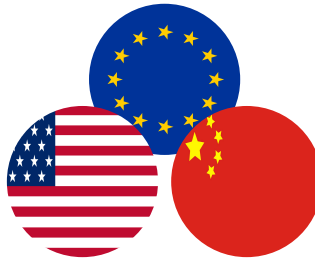
Speed of
Recovery



Government
Stimulus



Brexit



Trade Reform



Tax

The opinions expressed in this publication are not necessarily the views held throughout Brewin Dolphin Ltd.

Disclaimers

This publication is for FCA authorised individuals only and should not be distributed in whole or in part to retail clients.

The value of investments can fall and you may get back less than you invested. or if income is mentioned The value of investments and any income from them can fall and you may get back less than you invested.

Past performance is not a guide to future performance.

We or a connected person may have positions in or options on the securities mentioned herein or may buy, sell or offer to make a purchase or sale of such securities from time to time. In addition we reserve the right to act as principal or agent with regard to the sale or purchase of any security mentioned in this document. For further information, please refer to our conflicts policy which is available on request or can be accessed via our website at www.brewin.co.uk

The information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness.

If you invest in currencies other than your own, fluctuations in currency value will mean that the value of your investment will move independently of the underlying asset.

The opinions expressed in this publication are not necessarily the views held throughout Brewin Dolphin Ltd.



BREWIN
DOLPHIN

2nd Floor, 5 Callaghan Square, Cardiff CF10 5BT
Tel: 029 2034 0100

<https://www.brewin.co.uk/cardiff>

Brewin Dolphin Limited is a member of the London Stock Exchange and is authorised and regulated by the Financial Conduct Authority (Financial Services Register reference number: 124444). Registered office: 12 Smithfield Street, London, EC1A 9BD. Registered in England and Wales – company number: 2135876. VAT number: GB 690 8994 69