



Market Data Insights

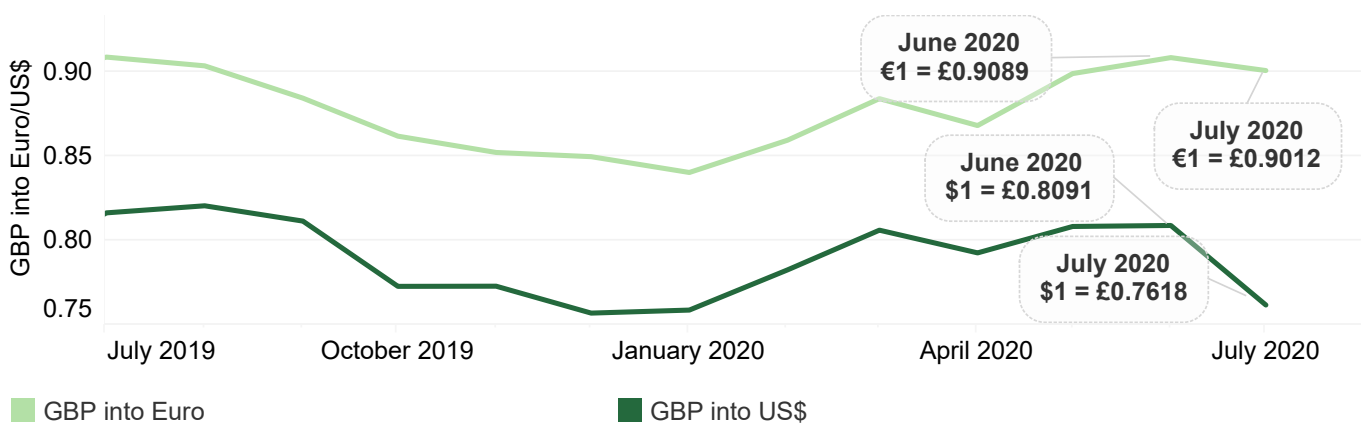
As we move into the second half of 2020, COVID-19 continues to have significant health and macroeconomic effects across the globe. There were over 150,000 deaths in July alone taking the total number of COVID-19 deaths to over 680,000 by 31 July.

Pubs, restaurants, barbers and places of worship were re-opened in the UK on 4 July. This was dubbed by some as 'Super Saturday', referencing the great achievement by UK athletes in the 2012 Olympics. The UK aimed to further help the economy by focusing on the most affected areas of the pandemic by announcing a £30bn plan to help prevent mass unemployment. This plan included giving businesses bonuses of £1,000 for all employees they retain after the end of the furlough scheme. It also included a reduction in VAT of food, attractions and accommodations to 5%. The "Eat Out to Help Out" scheme was also announced which came into effect in August.

While the reported daily new cases figures stayed relatively stable throughout July, there were some potential signs of the start of a "second peak". At the end of July, the UK government postponed some lockdown easing measures, having already imposed several local lockdowns across the UK. The government also made it compulsory for face masks to be worn in all shops and supermarkets from 24 July.

During July, the government announced contracts for over 250 million vaccines across 4 suppliers. With a population of approximately 65 million, the government is hoping that at least one of these vaccines to be successful in order to inoculate the entire population. These vaccines are currently at the clinical trial stages. It is uncertain if they will be deemed safe enough to be made available to UK citizens, and if so when they will be available to UK citizens.

Exchange Rates



The Pound Sterling remained stable over July maintaining a value of €1 to 90p. Looking at the previous quarter, the Euro appreciated against the Sterling as the value of €1 has risen from 86p in April 2020 to 90p in July 2020. Similarly to the other indicators, the re-opening of the tourism sector may be a catalyst for these changes.

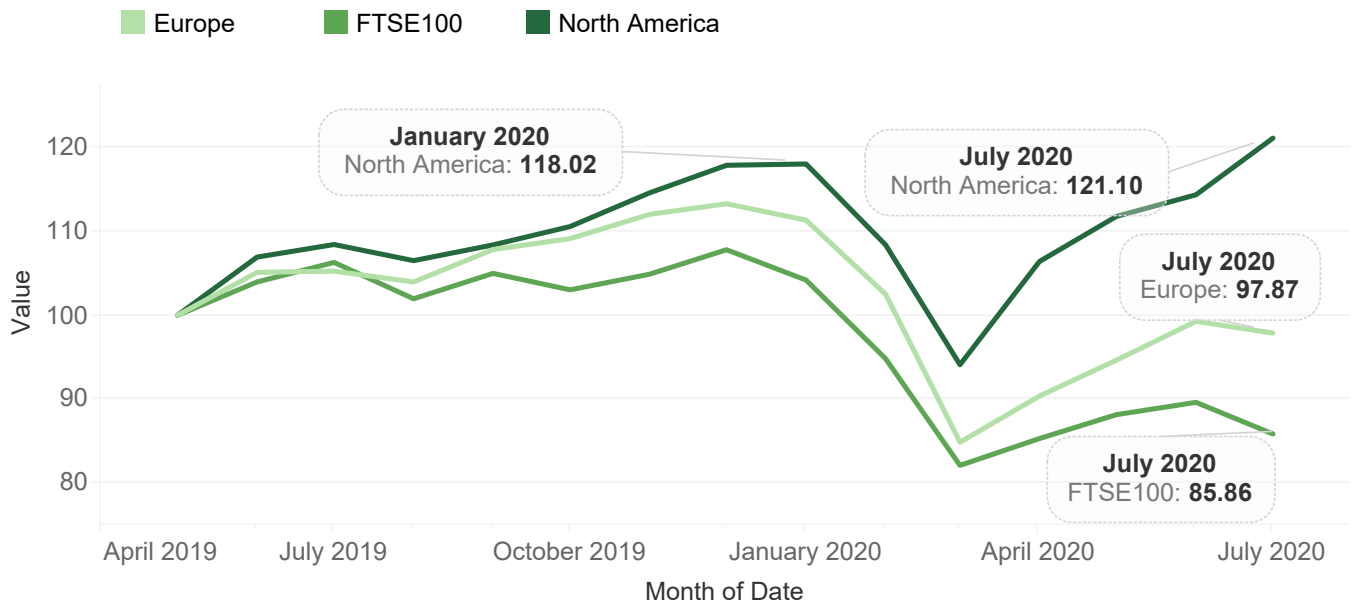
On the other hand the Pound Sterling has appreciated against the US Dollar as the value of \$1 fell from 81p in June 2020 to 76p in July 2020. This appears slightly counterintuitive as the North American stocks have recovered much stronger than the FTSE100.

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Equities



In the month of July, the FTSE100 fell over 4% from 5,793 to 5,560, having previously exhibited good signs of recovery since March 2020. The performance of the FTSE100 over 2020 has been similar to European stocks during the pandemic. Both the FTSE100 and European stocks have yet to regain the peak observed in January 2020. North American stocks have recovered well and surpassed their January 2020 high this month. We suspect the FTSE100's performance may be partially attributed to the general uncertainty for large businesses using the Coronavirus Jobs Retention Scheme ("furlough scheme") getting nearer to its announced closure in October. Similarly, individuals on the furlough scheme or people who see themselves being made redundant in the near future may also feel uncertainty surrounding their financial situation. As a result they may be reluctant to spend, leading to lower returns for businesses.

Note: the 23/03/2020 date annotated below is the date Boris Johnson announced the UK lockdown due to COVID-19.



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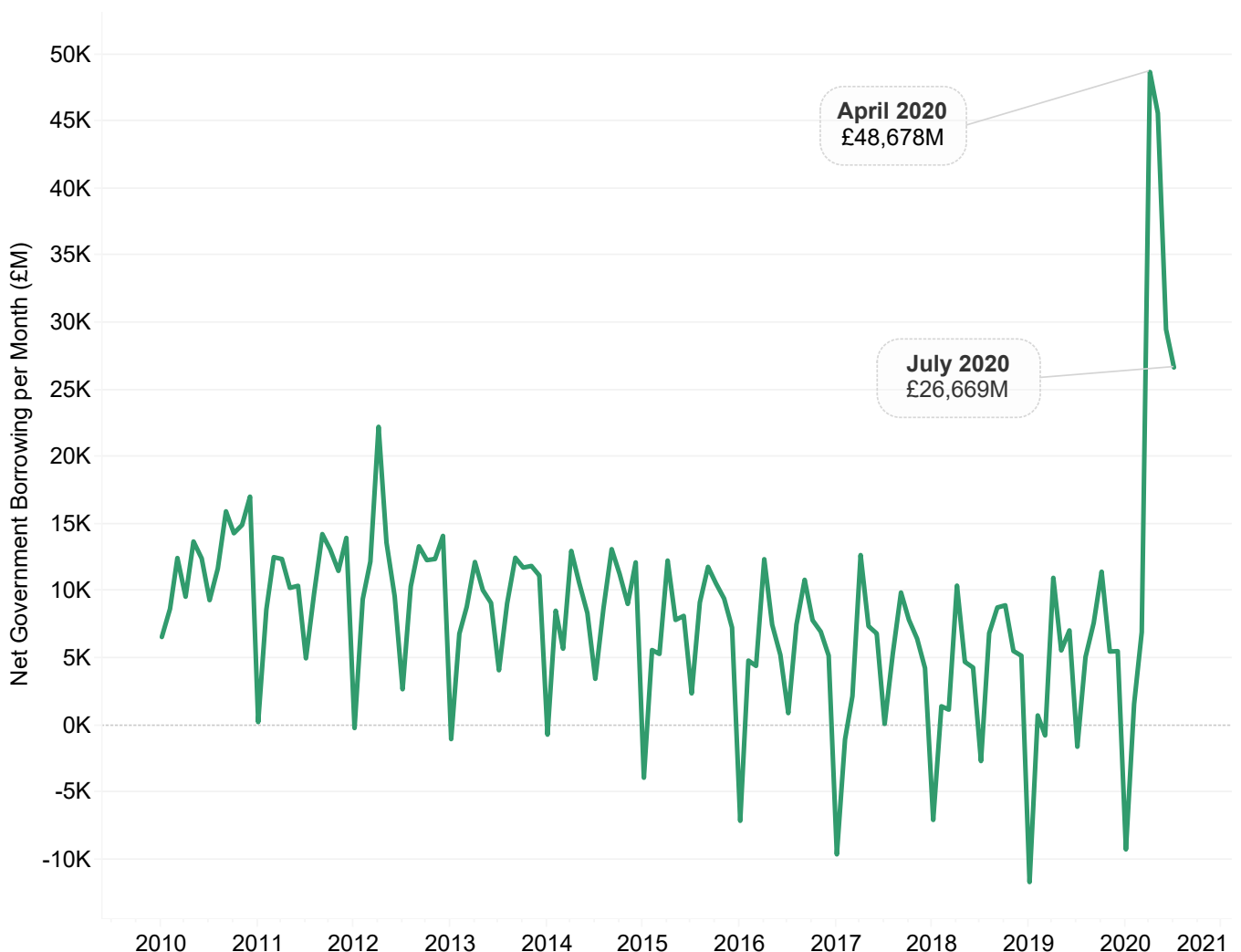


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Net Public Sector Borrowing

The UK government continued its recent trend of record borrowing by borrowing a further £27 billion in July 2020, taking the total amount borrowed to £157 billion since March 2020. The levels of government borrowing peaked in April 2020 where a record high of £49 billion was borrowed. Since then there has been a slow gradual fall in the amounts borrowed, although borrowing remains at very high levels in comparison to previous years. The lower levels of borrowing could be attributed to the relaxations of the lockdown in an attempt to stimulate the economy by encouraging business to resume operation while simultaneously taking their employees off the furlough scheme.

This is in stark contrast to the position in July 2019, where net government borrowing was negative (i.e. government receipts exceeded government spending).



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Crypto-currencies: Bitcoin

Unlike investing in traditional currencies, Bitcoin is not issued by a central bank such as the Bank of England, or backed by a government. Therefore, the price of Bitcoin is less affected by changes in economic growth, inflation rates and monetary policy. These are properties arguably shared by gold, although gold prices continued to rise as the coronavirus pandemic took a grip on economies and financial markets in the first quarter of 2020, whereas Bitcoin fell. The difference in price behaviour could be explained by the historical nature and trust in gold, and the price volatility exhibited by Bitcoin in recent years.

A Bitcoin block stores transaction information when A sends money to B. Every 210,000 blocks, or 210,000 transactions, the value of each Bitcoin block halves. This is referred to as a Bitcoin block reward pricing event.



The price of Bitcoin neared £9,000 in July 2020, recovering from the dip in March 2020. Bitcoin currently remains under the value it reached a year ago, and is still short of the peak observed in December 2017. However, analysts believe that the price of Bitcoin might reach a record high over the third quarter of 2020.

On 12 May, Bitcoin block reward pricing occurred with the price of a single Bitcoin block falling from 12.50 Bitcoins to 6.25 Bitcoins. Historically, this has led to significant increases in the Bitcoin price in the year after block reward pricing events. A surge in the price of Bitcoin will further fuel demand, which could in turn accelerate this growth. The graph below shows how the price of Bitcoin has grown and fluctuated since 2013, despite its crash in 2018/19.

