BRI Wealth Management PLC

July 2020

Think back to 1st April 2020. You may recall seeing headlines such as this one from the BBC: 'Stock markets suffer worst quarter since 1987.'

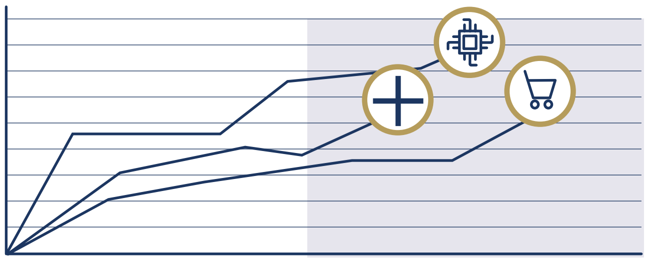
We'd just experienced the fastest peak to trough bear market in history with the American stock market falling 30% in a record 22 days, and corona virus was spreading uncontrollably around the world. Countries had closed their borders, and the British public were brawling in supermarkets for toilet paper - and being caught on social media doing so.

Fast forward just 91 days (or 2,148 hours) to 30th June and we now have headlines such as 'The stock market has had it's best quarter since 1998.' April and May witnessed a tremendous rebound with the UK market recording a 13% gain, making it the best quarter since the financial crisis. Other global markets delivered similar good returns. Taking into consideration that at the start of April stock markets we in a state of panic and most of the western world was locked down, the pace of the recovery that the stock market has seen is quite remarkable. It is safe to say that 2020 has so far been a year of 2 halves.

Despite the difficulty of investing money in the times of great uncertainty that 2020 has seen, it's important to go back to basics and to not lose perspective. As Warren Buffett once said, 'The most important quality for an investor is temperament, not intellect … Success in investing isn't correlated to IQ; what you need is the temperament to control the urges that get other people into trouble.'

If you had invested £10,000 into the global stock market in January and sold out in a panic on 31st March, you would have cashed out with around £8,093, a loss of £1,907. However, if you were thinking rationally and remained invested, by 1st July the £10,000 investment would have recovered to £10,064 and you would be in profit due to the strong rebound in the US market and in particular the technology and healthcare sectors. 2020 has re-emphasised the importance of having the patience to ride out volatility in the knowledge that portfolios will weather the storm and make good progress over the longer term.

Despite the recent strong stock market performance, economies continue to suffer. Unemployment in the US has been in the double digits (though declining) for three straight months having shed roughly circa 13 million jobs over Q2. In the UK, unemployment has remained low thanks to the generous furlough scheme from the UK Government, albeit we are now starting to see job losses increase, particularly in the sectors hardest hit by lock down – retail, aviation and travel – with economists estimating unemployment in the UK could hit 8.5% by October when the furlough scheme ends.



Despite the wealth of negative economic news, the pandemic has brought benefits to some areas of the economy, namely technology, healthcare, and e-commerce, all of which have thrived in the second quarter. Many of these sectors have seen huge amounts of growth due to the pandemic, and it adds a favourable cyclical tailwind to an already strong structural growth theme.

For example, Amazon back in February 2020 had monthly website traffic of 2.01 billion visits. Fast forward three months to May, and the monthly website visit was 2.507 billion, an increase of 24.7%. The Amazon share price is continually hitting new record highs, bringing into question the future of the high street. Online shopping continues to take market share now making up 32.8% of all total retail sales in May 2020; this is up from 18.9% in February 2020, according to the ONS. Another good example is the video calling app, Zoom. Due to the pandemic and changes in the way we all communicate, it has seen its daily user numbers increase by 3100% in just six months, from just 10 million users a day in December 2019 to over 320 million a day in May 2020. The Zoom share price is up just under 300% from January to the end of June.

Looking forward, there are many potential scenarios to grapple with. Will a Covid vaccine be found, and if it is, how quickly can it be produced and get to market? Will we have a second spike in cases and be forced back into lock down? Will stock markets continue their recovery, or is another correction on the horizon? Are technology stocks in bubble territory? That's just Covid-related; I haven't even mentioned Brexit – where we have only five months remaining of the eleven month transition period – and the US presidential election in November, in which Joe Biden is leading the polls against Donald Trump with American rapper Kanye West being rumoured to be submitting a last minute entry for the presidential race. Let's not forget that an American reality TV star has won the presidency recently, and so the idea of a rapper taking up residence in the White House is not as absurd as it would once have been.

It's safe to say that the remaining six months of 2020 will be eventful; and as we know from 2016 – with the shock Brexit referendum result, Donald Trump being elected, or even Leicester City winning the Premier League – you can never fully discount the underdog scenarios.

Unfortunately, nobody possesses a crystal ball. What we do know is that there is a huge amount of uncertainty in the world and it makes the path ahead for stock markets more precarious than it has been for some time. Portfolios are well positioned to take advantage of opportunities as and when they arise and we remain committed to stewarding your investments through the short, medium and longer term.

Written by:
Tom Hopkins
Portfolio Manager

BRI Wealth Management plc
BRI House
Elm Court
Meriden Business Park
Meriden
CV5 9RL

Telephone: 01676 523550
Email: invest@brigroup.co.uk

www.brigroup.co.uk

BRI Wealth Management PLC

@BRIWealth

INVESTORS IN PEOPLE