

Alan Boswell Financial Planners

Market Update - October 2020

For many, 2020 has been a year they will want to forget. For investors, the first two quarters were a turbulent experience. For about a month from mid-February, Covid-19 pushed share markets down with a brutal abruptness. By the time March came to an end, there was a consensus that, as often happens, the gloom had gone too far. As a result, the second quarter produced rises across the major markets. In the summer, it looked like the worst of the pandemic could be over and the forecasts of a V-shaped recovery would prove correct.

The third quarter, and in particular September, provided a different story. The threat of a second wave of Covid-19 emerged, while two other longstanding 'known unknowns' – the US presidential election and the end of the Brexit transition period – came closer into sight. Central banks' talk of multi-year zero or sub-zero interest rates did not encourage investors, perhaps suspicious that 12 years after the global financial crisis, the rate setters had finally run out of monetary ammunition.

The UK stock market's third quarter was weaker than in other major markets. In global terms, it is arguable that the UK looks cheap – the historic price-earnings ratio for the UK market is around 21 compared with 29 in the US. However, across the Atlantic, the main market index, the S&P 500, rose by 8% in the third quarter against a fall in the FTSE 100 of 5%. Once more, the US market has been driven by the five technology giants – Microsoft, Apple, Amazon, Facebook and Alphabet (aka Google) – which account for 1% of the number of companies in the S&P 500 Index, but almost 23% of the by value.

The third quarter was generally more rewarding for investors in overseas markets. The fourth quarter's impending US election and Brexit finale looks set to create a dramatic end to a dramatic year. Forecasters are also now seeing and predicting more of a K shaped recovery where some stocks will continue to perform well, for example, the tech industry and others will continue to struggle, like the hospitality, leisure and tourism whilst this pandemic continues.

Please note the following:

All investments involve different degrees of risk. Please remember that past performance is not a guide to future performance. The value of units and shares and the income from them can go down as well as up and investors might not get back the amount originally invested. Exchange rates may cause the value of overseas investments to rise or fall.

Where we have expressed views and opinions, these may change over time. None of the information mentioned in this document represents a specific portfolio or holding nor constitutes a recommendation to buy or sell.

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Cedar House, 105 Carrow Road,
Norwich, NR1 1HP

T 01603 967967