

March 2020 Newsletter

A Modern Stockbroker with
Traditional Values



COLLINS SARRI STATHAM
INVESTMENTS

Themes from March

***Covid-19** has caused significant business disruption, closures and supply chain problems globally. Investor concern has focused on the rising death toll and indefinite nature of the virus impact.

***Social distancing**, self-isolation and working at home practices have been encouraged by UK/ EU governments alongside shop closures as a means of reducing the transmission of Covid-19.

***Crude oil** slumped over March after Saudi Arabia ramped up production despite reports suggesting Covid-19 has reduced oil demand by 20%. Russia has refused to lower oil production despite circumstances.

***Chancellor Rishi Sunak** has introduced a 'furlough' for UK employees covering March to end May whereby employees receive up to £2,500 per month to stay at home.

***China March PMI**, was reported at 52 indicating growth, was better than consensus estimates of 45 and significantly improved from 35.7 in February.

***US Senate** passed a \$2trn stimulus programme that will see every adult American receive \$1,200 plus \$500 for each child. The US Federal Reserve has reduced the Federal funds rate to between 0%-0.25%.

***Bank of England** cut the Base rate from 0.75% to 0.1% and cancelled forthcoming bank stress tests.

***President Trump** said the ban on travel to Europe would remain in place over April 2020.

Forthcoming UK Events

1
APR

Markit CIPS Manufacturing PMI

2
APR

Nationwide House Prices

3
APR

Markit UK Services PMI

6
APR

UK New Car Sales/ UK Construction PMI

7
APR

Halifax House Prices

9
APR

UK Balance of Trade/ GDP 3 month/
Manufacturing Production

15
APR

10YR/ 30YR Gilt Auction

21
APR

UK Average Earnings / UK
Unemployment Rate

22
APR

UK Core Inflation Rate/ PPI Core
Output/ Retail Price Index

23
APR

UK Retail Sales/ Public Sector Net
Borrowing

24
APR

CBI Distributive Trades

27
APR

CBI Business Optimism

Performance of World Markets (31/3/2020)

North America

Value

Change

+/- (1M)%

+/- (1YR)%

Collins Sarri Statham Investments Ltd. 138 Fortis Green Road, Muswell Hill, London, N10 3DU

T +44 (0)20 8 057 6380 W www.css-investments.com E info@css-investments.com

Collins Sarri Statham Investments Ltd. is authorised and regulated by the Financial Conduct Authority (Registration no. 483868). Registered in England and Wales (Company no. 6539190)

DOW JONES (Open)	22,162.41	-2,924.69	-11.66	-16.99
S&P 500 (Open)	2,609.15	-307.85	-10.55	-8.63
NASDAQ (Open)	7,743.22	-718.07	-8.49	0.18

Europe/UK	Value	Change	+/(1M)%	+/(1YR)%
UK 100 INDEX (14:30pm)	5,589.60	-992.01	-13.61	-30.23
EUROSTOXX 50 (14:30pm)	2,763.52	-559.03	-15.35	-21.01

Asia/Far East	Value	Change	+/(1M)%	+/(1YR)%
SHANGHAI COMPOSITE (Close)	2,750.30	-130.0	-4.37	-12.38
NIKKEI-225 (Close)	18,917.01	-2,225.90	-9.59	-12.02
HANG SENG (Close)	23,603.48	-2,526.45	-9.60	-23.08

United Kingdom

PM Boris Johnson, Chancellor Rishi Sunak and the Bank of England have acted decisively to put in place emergency measures (£330bn funding programme) to stabilize the UK economy over the closure period which could last for a couple of months. The hit to GDP over 2020 could be -4% assuming a normal second half.

The sell-off in UK equities has been severe, the UK 100 briefly touched 4,993 on the 23rd March 2020 but the index looks past its worst point. Key to a sustained recovery will be the timing of UK/EU re-opening and the economy rebound in the aftermath of Covid-19.

However 2019/2020 dividends in many cases will be cancelled as board shift priorities to retaining cash/ corporate survival, and rightfully so. So far emergency funding lines appear sufficient for a period of very low revenues. It is conceivable that

China/Japan

The agreed delay to the Tokyo Olympics (23rd July- 8th August 2021) allows Japan to focus on export recovery and GDP growth post Covid-19 over the next 15 months. Investors had anticipated the delay and took the news in their stride. Japan has not been significantly impacted by Covid-19 in terms of numbers with only 1,953 cases.

The Japanese government is proposing a ¥60trn (US\$556bn) stimulus package, slightly larger than the ¥56trn support launched in 2008. It will mainly comprise corporate lending (¥40trn) and ¥10trn cuts to consumption taxes. The full package details of the package will arrive in early April.

The Nikkei-225 has started to bounce from depressed levels, having not quite touched 5 year lows. The Yen has been trading in a wide range, at times exhibiting its normal role as a safe haven currency, on other occasions giving up those gains.

Collins Sarri Statham Investments Ltd. 138 Fortis Green Road, Muswell Hill, London, N10 3DU

T +44 (0)20 8 057 6380 W www.css-investments.com E info@css-investments.com

Collins Sarri Statham Investments Ltd. is authorised and regulated by the Financial Conduct Authority (Registration no. 483868). Registered in England and Wales (Company no. 6539190)

many companies will overdo 'cash hoarding' in the short term.

As UK corporate bond spread widen to reflect perceptions of corporate sector risk relative to government debt, this could prove quick to rebound once economies re-open.

source:www.google.com



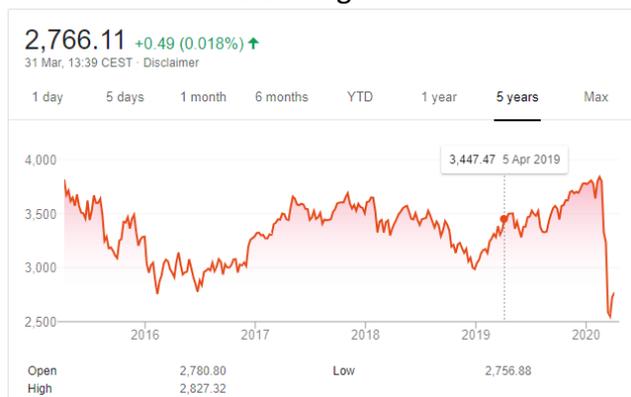
Europe

EU leaders have also acted to stabilize the Eurozone suspending compliance with the budget deficit terms of the Stability pact. The European Commission has also approved the Solidarity Fund, a €1.2bn fund for small companies.

France is offering loan support worth up to €300bn to the corporate sector, an amount far in excess of likely requirements. Bruno Le Maire, French Finance Minister said he had received requests for €3.8bn so far. Germany has provided a €1.8bn loan to tour operator TUI AG.

Given negative interest rates, the ECB has limited firepower to fight the Covid-19 crisis. Under the leadership of Christine Lagard, the ECB has continued the Draghi approach of warning EU governments that it is national governments' turn to achieve structural change.

Both Italy and Spain, the countries hardest hit by Covid-19 have been in lock-down mode. This is the most significant human tragedy since WW2 and will have profound implications for 2020. The Eurozone was limping into Covid-19 and is likely to see a recession in 2020. The move in EU stocks c. -28% is similar to other global benchmarks.



United States

US stock indices declines in 2020 have seen off the 2009-2019 US bull market and ushered in a new 'bear' phase of uncertain duration and disruption.

Whilst the US government, US Congress and Federal Reserve have made significant efforts, providing liquidity, stimulus, tax breaks and boosting confidence, President Trump has accepted the US government will likely end up with major equity positions in US companies. Leaving aside the US cruise companies who require a US domicile, companies ranging from oil, airlines, restaurants face this possible outcome. Even Delta Airlines, now on a P/E of 4x historic earnings is facing this possibility.



source:www.google.com

The US administration is aware that crude's engineered collapse is intended to hurt US shale oil which explains President Trump's willingness to intervene in the fruitless Russia- Saudi oil price war. The drop of WTI (West Texas Intermediate) to under \$20/ barrel has jeopardized not just Texas and North Dakota shale operations but oil majors, offshore oil drillers, US oil service & equipment companies. The position of both Russia and Saudi Arabia appear self-defeating and unsustainable in that their economies are very reliant on oil & gas assets.

Collins Sarri Statham Investments Ltd. 138 Fortis Green Road, Muswell Hill, London, N10 3DU

T +44 (0)20 8 057 6380 W www.css-investments.com E info@css-investments.com

Collins Sarri Statham Investments Ltd. is authorised and regulated by the Financial Conduct Authority (Registration no. 483868). Registered in England and Wales (Company no. 6539190)

Important Information

Key to Material Interests:

Please be aware that the following disclosures of Material Interests are relevant to this research note:

TUI AG	Relevant disclosures: <2>
Delta Airlines	Relevant disclosures: <NA>

1. The analyst has a personal holding in the securities issued by the company or of derivatives linked to the price of the company's securities.
2. Collins Sarri Statham Investments Ltd has clients who hold either shares or CFD positions in this security.

ANALYST CERTIFICATION:

The report's author certifies that this research report accurately states his personal views about the subject securities, which is reflected in the ratings as well as the substance of the reports.

RECOMMENDATIONS:

Collins Sarri Statham Investments Ltd (CSS) does not in any of its publications take into account any particular recipient's investment objectives, financial situation, and specific needs and demands. Therefore, all CSS publications are, unless otherwise specifically stated, intended for informational and/or marketing purposes only. CSS shall not be responsible for any loss arising from any investment based on a perceived recommendation.

No publication (including recommendations) shall be construed as a representation or warranty that the recipient will profit, nor avoid sustaining losses, from trading in accordance with a trading strategy set forth in a publication.

This research is non-independent and is classified as a Marketing Communication under FCA rules detailed in their Conduct of Business Rulebook (COBS). As such it has not been prepared in accordance with legal requirements designed to promote independence of investment research and it is not subject to the prohibition of dealing ahead of the dissemination of investment research outlined in COBS 12.2.18.

RISK WARNING:

Trading in the products and services offered by Collins Sarri Statham Investments Ltd (CSS) may, result in losses as well as profits as the value of investments may go down as well as up. You may not get back the full amount you have invested. Any reference to past performance should not be viewed as an indication of any future performance. Investments held in overseas markets are subject to the effects of changes in exchange rates which will impact on the value of the underlying investment. Leveraged products such as Contracts for Difference (CFDs), derivatives, commodities & Foreign Exchange (FX), carry a higher risk to your capital and they can lose their value rapidly.

SPECULATIVE TRADING IS NOT SUITABLE FOR ALL INVESTORS.

The information contained herein is based on materials and sources that we believe to be reliable however we make no representation or warranty, either express or implied, in relation to the accuracy, completeness or reliability of the information contained herein. Please note that the figures shown may, in some instances, be rounded to the nearest penny. Prices can move sharply from those quoted in this document. Current prices can be verified by calling one of our brokers. CSS is under no obligation to update the information contained herein. Neither CSS, nor its affiliates, nor its employees shall have any liability whatsoever for any indirect or consequential loss or damage arising from the use of this document.