



SEPTEMBER 2020 REVIEW

30TH SEPTEMBER 2020

After a summer of buoyant equity and fixed income markets, the investment tone was more subdued in September, with both the FTSE and S&P 500 recording losses in the month.

Drivers of investor sentiment in the month included rising COVID-19 cases, lack of progress in the Brexit negotiations, the race for control for the White House in the US and a healthy dose of profit taking from hot sectors, such as US technology.

While UK and US equities recorded losses, Asian stocks delivered positive returns. Japan's TOPIX index rose 5.4% in sterling terms in September, while broader Asian equities outside of Japan rose 2.0%. The FTSE All Share fell 1.7% and there was noteworthy sector dispersion, with Banks (-9.0%) and Energy (-13.2%) stocks faring poorly. By contrast, the more defensive Consumer Goods (3.9%) and Utilities (1.9%) sectors in the UK performed well.

There was also a meaningful move lower in sterling in September (down nearly 4% against the US dollar). Brexit was clearly a factor here, with EU/UK negotiations being complicated by the UK seeking to modify the terms of trade between UK and Northern Ireland. A 'No Deal' is now a 40% possibility, according to economics research firm Capital Economics.

On a more positive note, vaccine trials have been progressing; positive news in the coming months could be a game changer for markets and given the record low interest rates and fiscal stimuli from DM governments, a 'melt-up' in equities is a very real possibility in 2021.

Fixed income market returns reflected the risk-off tone in September. Gilts and US Treasuries both rallied in the month. UK corporate bonds also delivered a positive return in the month, although high yield debt – which has a lower credit rating than investment grade debt – fell marginally.

IMPORTANT INFORMATION

As with any investment, your capital is at risk. The value of an investment, and any income from it, can fall as well as rise. Investors may not get back the full amount they invest. Past performance is not a reliable indicator of future results. Personal opinions may change and should not be seen as advice or a recommendation. We recommend investors seek professional advice before deciding to invest.

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