MERRION INVESTMENT MANAGERS

CANTOR Fitzgerald

Strategy & Outlook MARKET UPDATE

June 2020

Global equity markets continued to recover from Q1's collapse, rising by 2.8% in the month, though still down 8.1% year-to-date. Technology has continued its market leadership role, buoyed by strong results from payment providers and cyber security names. Equity indices globally remain deep in the red year-to-date, but the Nasdaq is positive 5.8%, with its all-time high clearly in sight. Despite the market rally, a much followed fund manager survey suggests that more than 2/3 of investors think this is a bear market rally, and cash balances remain at the highest levels since 9/11. Our funds maintain their current positioning towards the upper end of the ranges for growth assets. Within growth assets we are continuing with our twin track approach of focusing on the opportunities this crisis has presented, namely the acceleration of secular growth themes and finding value in the cyclical sectors that were most effected by the shutdown. We have adjusted slightly the tilt within our infrastructure-spending themes away from more traditional infrastructure and towards technology infrastructure. Within defensive assets, we have added to periphery debt over core.

Activity globally continues to rebound. China data in particular shows that 91% of SMEs nationwide have resumed operation, with 93% for manufacturing & construction and 90% for services. Industrial momentum looks solid, with power production growth. City road traffic volumes now exceed 2019 levels. Hotel occupancy is up to about 60% of 2019 levels. Overall, Asian consumer demand appears very strong post their reopening, with luxury goods maker LVMH putting through substantial price increase in response to pent up demand and Chinese monthly car sales are up year on year for the first time since June 2018. In the US, new claims for unemployment insurance continue to fall whilst continuing claims have also begun to decline. As economies continue on the path to reopening, we would expect these trends to continue, absent a significant spike in virus cases. The US-China situation needs close monitoring of course, as does the situation in emerging economies. Together with Brexit, these factors have the potential to generate further volatility over the summer, all of which points to the continued benefit of our active approach, driven by a strong, coherent and well-tested investment process.

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