

Robust processes will deliver when the markets are ready

My final update in the current series is being written on the hottest day with temperatures soaring to 37.8C and people flocking to the beaches, according to Sky News.

The escalation in temperature is not only confined to the weather, news flows this week have highlighted once again the sensitivity and fine balances that surround global markets. As we walk further into the summer holidays, the cautious mood deepens, one eye on the spike in the Coronavirus and the other watching the ongoing rhetoric in the US as we advance on the long and agonising run up to their election.

Here in the UK, the FTSE 100 Index finished down this week, breaking the glass floor of 6,000. The more robust FTSE 250 Index fared better, often seen as greater barometer of "UK Plc".

The pandemic will continue to cause highly disruptive and far-reaching issues for individuals, companies, and societies. As you all know, many companies from small to large, have been required to shut down their operations with distressing consequences for the employees.

It is no surprise then that Leisure and Travel continue to be some of the hardest hit. Only today I spoke with a treasured friend (and client) who I have seen play the waiting game at Virgin Atlantic for the last 13 years. He finally took his turn to become Captain on the prestigious 747 Jumbo, rising instantly to one of my hero's, based on my childhood dream of wanting to fly in one. Unfortunately, only 18 months into the most beneficial part of the journey, redundancy now looms. Not only that, there appears to be little alternative within the industry to consider with British Airways also stressing today that the pandemic has hit it harder than anything before. Highly skilled and qualified individuals such as pilots appear unable to work within their own fractured industry. Things should take off again, but it is the between times that could be most damaging for the workforce following management restructures and strategic changes that impact how they will be run in the future.

It is not just transatlantic travel, Tui has extended its cancellations and Jet2 have been contacting customers on Spain's Balearic and Canary Islands this week asking them to end their package holidays early. It said, they "cannot keep sending empty planes to pick up passengers on so many dates".

Retail results continue to be mixed, online stores faring well with the restrictions. There are pockets of growth, significant growth in fact. Globally, gaming, telecoms and technology businesses are doing well as companies demand better IT infrastructure. Consumers also continue to demand more technology within their homes. Gaming downloads have increased sharply, benefiting the mid cap companies that sit within the FTSE 250.

Demand also remains high for food producers, with most of the calories consumed within a week typically taking place within the home and 30% of household expenditure now going on food and drink.

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House prices also bounced back in July, climbing 1.7% during the month compared to a 1.5% fall in June, according to the Nationwide. Activity has been boosted by pent-up demand and the stamp duty holiday. Behavioural shifts have also boosted activity, as people reassess their housing needs and preferences because of life in lockdown.

This afternoon, further easing of coronavirus restrictions in England have been postponed for at least 2 weeks. Face coverings have become mandatory in more indoor settings such as cinemas. This rethink follows new restrictions that come after a rise in virus cases within the UK.

At a news conference in Downing Street, the prime minister said, “progress against coronavirus continues but European countries are struggling to contain it”. The UK must be “ready to react”, he said.

The focus seems to be firmly on the reopening of schools with Prof Chris Whitty, England’s chief medical officer, saying it was a “difficult balancing act and we have probably reached or neared the limits of what we can do in terms of opening up society”.

I can imagine many thinking, oh no, here we go again but for the government to start acting before the curve, to protect industry and the progress made to date is very good news. Yes, this year I will miss my family holiday abroad, and the brief visit to an overpriced European city, however, for the next 12 months, the UK needs us. Industry requires us to buy locally, travel within the British Isles and boost the economy.

Company results will continue to flow and be reviewed under the magnifying glass throughout August. Small stories stating the obvious will prevail, but business really will not get back to any serious momentum until the beginning of September.

The process we have is robust, well-rehearsed, checked and tested. We will continue to keep you informed over the coming weeks and be available for any questions or queries in the meantime.

Have a very good weekend, enjoy the weather, and stay safe.

Kindest regards

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