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FINANCIAL CONSULTANCY

MARKET COMMENTARY

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IN THE NEWS

As Storm Francis lashed the UK last week, another storm was brewing as the government took a late U-turn regarding the use of face coverings in schools in England. From the beginning of September, secondary pupils and adults in local lockdown areas of England and in areas facing extra government restrictions, will be required to wear face coverings when moving around the school, in corridors and communal areas.

In addition, any secondary school in England will have discretion to introduce the use of face coverings in communal areas, where social distancing is not possible, a move which has prompted criticism from some teachers, with the announcement last Tuesday being made just hours before schools reopened in Leicestershire.

The guidance does not include the use of face coverings in the classroom during lessons, where the government says they could *'inhibit learning.'* The guidance extends to further education colleges but not to primary schools. Education Secretary Gavin Williamson said the new policy follows updated advice from the World Health Organization, *"Our priority is to get children back to school safely. At each stage we have listened to the latest medical and scientific advice... I hope these steps will provide parents, pupils and teachers with further reassurance."*

Secondary schools in Scotland are set to start using face coverings in corridors or shared areas from 31 August. Northern Ireland has also followed suit. In Wales, schools and councils need to decide if face coverings are used, local authorities will need to conduct risk assessments, but the government is recommending those aged 11 and over wear them when social distancing cannot be maintained, including in schools and school transport.

The government issued guidance last Friday, which details contingency planning for schools in areas in England where local lockdowns are in place.

Eat Out success prompts extension

Some restaurants are keen to continue offering discounted meals in September, following the success of the Eat Out to Help Out initiative in August. The scheme ended on 31 August, but nationwide chains including Prezzo, Harvester, Toby Carvery, Bill's and Pizza Hut are amongst those due to take part, although the eateries will have to cover the costs themselves.

Support for those self-isolating on low incomes

From Tuesday (1 September), workers on low incomes living in parts of England where there are high coronavirus rates will be able to claim up to £182 if they have to self-isolate. Strict eligibility criteria mean people claiming Universal Credit or Working Tax Credit, who are unable to work from home, will qualify for the £13 per day payment. The benefit is initially being trialled in parts of North West England.

Eligible individuals who test positive and are employed or self-employed, need to isolate for 10 days and will receive £130. Eligible members of the household, who would have to self-isolate for 14 days, will be entitled to a maximum of £182. In addition, anyone who is told to self-isolate by NHS contact tracers and meets the eligibility criteria will be entitled to £13 a day for the duration of self-isolation.

Renewed optimism

US stocks hit record highs last week after Federal Reserve Chairman Jerome Powell outlined the central bank's strategy for avoiding future crises and inflation control measures. During the week, stocks rose amid renewed optimism about US-China trade tensions, with both Chinese Vice Premier Liu He and US Treasury Secretary Steven Mnuchin renewing their commitment to a trade deal.

Quarantine list additions

Due to a rise in infection rates, quarantine rules were implemented on Saturday morning for travellers returning to the UK from Jamaica, Switzerland and the Czech Republic. Cuba has been added to the list of countries now exempt from quarantine.

In other news

The government is preparing to launch a campaign this week aimed at encouraging employees back to their workplaces, and lockdown restrictions in parts of Greater Manchester, Lancashire and West Yorkshire will be lifted on 2 September due to ‘positive progress’, the government has announced.

THE MARKETS LAST WEEK

FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yrs	UK 10 Yrs	Brent Crude	Gold	Wheat	GBP USD
+0.19%	+3.08%	+1.43%	+2.11%	+1.98%	+0.03%	+0.05%	+2.36%	-0.92%	+3.18%	+0.05%

UK: GOVERNMENT DEBT PASSES £2TN AND 100% of GDP

The UK’s government debt has passed £2tn as the cost of support for the economy continues to grow. Public sector net debt as a percentage of GDP has doubled since the global financial crisis and is at its highest level since the early 1960s. According to the latest estimates, the UK is on track to borrow £322bn in 2020/21, up from £55bn predicted in March and more than double the previous annual record.

The increase in government debt issuance hasn’t affected demand. The most recent gilt issue saw the government raise £2.75bn on a 10-year bond yielding 0.32 per cent. While the UK’s debt to GDP ratio is high compared to recent history, it is still far below Japan’s current debt to GDP of 200 per cent. Borrowing in July was also less than expected as a higher than expected consumer spending helped boost VAT receipts.

OIL: CRUDE PRICES RISE AS HURRICANES THREATEN US OIL PRODUCTION

Oil prices have consolidated gains since April as two hurricanes shut down a large portion of US oil production. Last week hurricane Marco made landfall on the US Gulf Coast, the centre of US coastal oil production, before hurricane Laura struck the same region. The storms have halted more than 80 per cent of production in the Gulf of Mexico.

Brent Crude is up more than 2 per cent as of last week and is up by 139 per cent since late April as production cuts from OPEC nations and a rundown of oil stocks has begun to offset the drop in demand caused by the coronavirus shutdown. The gradual increase in oil prices have done little to help the share price of the oil majors. BP and Shell recently wrote down the value of their assets by billions of pounds but the oil price is now above the average price for 2020 and 2021 predicted by Shell last month and is pushing towards BP's long-term average of $55 a barrel.

PROVIDENT FINANCIAL: LENDER BEATS EXPECTATIONS AS BAD LOANS MOUNT

Provident Financial saw its shares jump more than 20 per cent last week after a better than expected quarterly update to investors. The sub-prime lender, whose brands include the Vanquis credit card and Satsuma personal loans as well as its traditional doorstep lending business, reported a loss of £32m for the six months to the end of June as borrowing fell and bad loans increased. The same period last year saw a pre-tax profit of £80m. However, it comfortably beat analyst expectations causing the share price increase.

Investors in the lender have experienced a difficult last few years. Its share price has fallen from £23.20 in April 2017 to £2.41 last week. Despite last week's gain, the shares are still down around 50 per cent for 2020. The company said it is 'cautiously optimistic' about its outlook and it should provide a snapshot of the UK's recovery as its target market is likely to borrow more as the furlough scheme ends but is also at risk of sharply rising defaults.