

UK JANUARY SALES FIGURES ALMOST AS LOW AS THE TEMPERATURE IN TEXAS

This week treated us to some shockingly bad retail sales data. While expectations were low, what with all the shops being shut, sales were 8% lower in January than December when many shops were also shut under the tier system. While a seasonal drop off is expected after Christmas, December was a historically poor shopping month as well. Hardly surprising, but it does highlight how much lost activity there is to recover once lockdowns begin to ease. We could have record sales for six months and most shops would still be down trade over the course of the pandemic.

Elsewhere a cold snap has hit the centre of the US bringing record low temperatures and snow fall. While cold weather is the norm for much of the mid-west, further south it is causing real havoc. Texas has been caught completely unprepared, having not winterised any of its utilities – causing coal to freeze in train cars, gas pipelines freeze closed, oil wells seize up, wind turbines ice over and even some nuclear reactors to shut down. The state has been mostly without power, and now water, for days in sub-zero conditions.

THE MARKETS THIS WEEK

| FTSE 100 | S&P 500 | Nikkei 225 | Euro Stoxx 50 | Hang Seng | US 10 Yr | UK 10 Yr | Brent Crude | Gold | Wheat | GBP USD |
|----------|---------|------------|---------------|-----------|----------|----------|-------------|--------|--------|---------|
| +0.54% | +0.10% | +1.69% | +0.12% | +2.02% | +0.10% | +0.13% | -0.54% | -2.94% | +4.50% | +1.00% |

GLOBAL: ECONOMIC RECOVERY PROPELS MARKETS TO NEW HIGHS

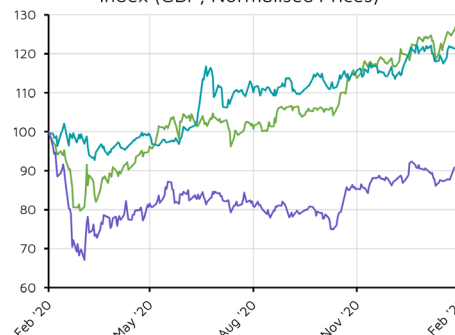


Enthusiasm regarding the prospects of an economic recovery drove markets upward this week with some recording record breaking numbers. Japanese equities marched upwards following strong economic data released by the government.

Gross domestic product for the country beat expectations and rose three per cent in the final quarter of 2020. This news, combined with the start of their Covid-19 vaccine rollout this week, sent the Nikkei index above 30,000 points for the first time in 30 years.

Chinese stocks also reached new highs as the CSI 300 index surpassed its previous peak in 2007 when trading resumed after the lunar new year break. Revenues for restaurants and cinemas saw a sharp rise during the holidays, though the same could not be said for the travel industry which saw 74 per cent fewer journeys compared to the year before. UK equities were also caught up in the rally, being one of the leading countries by people vaccinated. The FTSE 100 index was helped in part by its large allocations to energy and financial stocks which struggled last year.

Nikkei, Shanghai Composite and FTSE 100 Index (GBP, Normalised Prices)



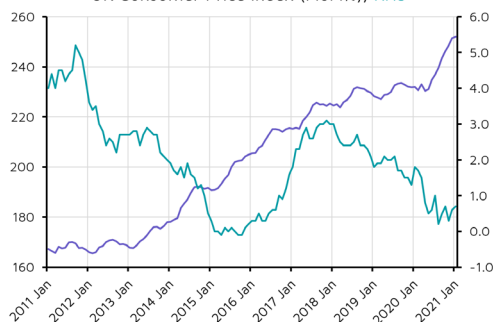
UK: THE COST OF GOODS AND HOUSING MOVES EVER HIGHER

Spurred on by the looming stamp duty holiday deadline in March, house prices in the UK have risen this month at their fastest rate since 2014. The average cost of a house now stands at a record high of just over a quarter of a million pounds.

The figures released by the Office of National Statistics show the north west of England saw the largest growth of 11 per cent, with London bringing up the rear at just a 3.5 per cent increase. Working from home and low interest rates have tempted people to expand their living spaces recently. Some estate agents have asked for an extension to the stamp duty holiday, though the chancellor Rishi Sunak doesn't seem too keen, as he prepares for his next budget in March.

In addition, the cost of food, transport, and furniture also rose last month with clothing and footwear becoming cheaper due to the closure of non-essential retail stores. The overall inflation of consumer prices increased at an annual rate of 0.7 per cent, up from 0.6 per cent in December. Some economists have been quick to label this as the beginning of a surge in prices, though it is still well below the Bank of England's target of 2 per cent.

UK Average House Price (GBP Thousands), LHS
UK Consumer Price Index (MoM%), RHS

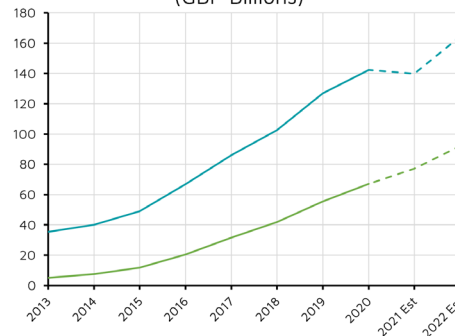


EQUITIES: FACEBOOK UNFRIENDS THE AUSTRALIAN GOVERNMENT

Tensions in the standoff between Big Tech and the Australian government reached a peak this week, as Facebook announced they would block the sharing of news articles on their site. This unprecedented change comes just a few weeks after Google threatened to completely shut down its search engine in the country. The Australian government hoped their proposed legislation, forcing technology companies to pay for news content and publication, would help reign in the monopolistic power over advertising they have acquired. Although, this plan has backfired as Facebook simply blocked their service and Google have been making separate deals with media companies to bypass the restrictions.

Despite the actions of Big Tech, both threatened and undertaken, other countries such as Canada, the UK and the EU are considering similar changes and additions to current laws. More thought and engagement is clearly needed on the topic.

Facebook and Alphabet Revenue (GBP Billions)



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