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MoneyWeek

MAKE IT, KEEP IT, SPEND IT

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After the storm

Where to invest now

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MoneyWeek

10 April 2020 | Issue 994

Britain's best-selling financial magazine

From the editor-in-chief...

Is that it? For weeks we have been told to watch the data around new infections from the coronavirus. The second they look to have peaked, said pretty much everyone, the market will turn. And so it was. Markets started to move back up ten days ago. At the weekend, we got some suggestion that locking down 35%-plus of the world's population is sort-of working. Infections may be peaking and Pictet's Luca Paolini notes that global Google searches for information on Covid-19 also look to have peaked, suggesting global panic might have too. Either way, markets soared. By Wednesday morning most had recovered 20% from their lows.

But can the bear market really be over so soon? See page 4 for Jim Rogers' view, but the consensus seems to be "surely not". There is a chance the recession might not be as bad as some think (I've seen forecasts for a second-quarter collapse in US GDP of 40%). Intertemporal Economics' Brian Pellegrini notes, for example, that most of the modelling around how economies perform in pandemics was done long before large parts of the population were equipped to be as productive at home as in the office (listen to our podcast at Moneyweek.com with him for more).

Japan: surprisingly high yields

"The US has lost ten million jobs in the last two weeks – a nightmarish statistic"

Yet there is an awful lot that, post snap back, doesn't seem to be fully priced in. There are the obvious nightmarish statistics – the US has lost ten million jobs in the last two weeks, roughly the same as it lost over the entire global financial crisis. But less obvious are the mega macro trends, such as the rise in the reach of the state and its power over the corporate sector (dividend controls are not a good thing for governments to be getting interested in), or the acceleration in the retreat from globalisation and its possible consequences (inflation being the obvious one – see Edward Chancellor on page 19, Matthew Lynn on page 14 and finally page 16 for Philip Aldrick's view).

So how do you invest into this deeply uncertain environment? At Moneyweek.com, we've looked at how to maintain your dividend income now that (according to Link Asset Services), 45% of UK firms have already scrapped 2020 dividends. That's £25.4bn lost – around a third of last year's total – and a high chance of more to come (see pages 4 and 7). With that in mind, we reckon you should be thinking of Japan as a high-income investment destination. I discussed this with market strategist Russell Napier in our podcast on Friday, but the key point is this: UK yields are clearly on the way down – fast. But in Japan, cash levels are high (53% of firms in the Topix have net cash) and payout ratios low: dividends shouldn't fall. That could make the 2.3% yield available on, say, the Jupiter Japan Income Fund look very nice indeed.

If you want a more globally orientated fund, Max looks at the Smithson Investment Trust, with its concentrated portfolio of very high-quality global mid caps, on page 15. Right now, he reckons, is probably one of the best chances to buy you will ever get. For those who prefer individual stocks, on page 26 Jonathan looks at increasingly underrated UK mid caps to buy and hold for the long term, while on page 27 Mike looks at a biotech that might just have a treatment for Covid-19. Finally, for a reminder on why you should make sure that whatever you buy you are properly diversified, see page 13. If you don't know what's going to happen next, it's best to prepare for almost anything.

Merryn Somerset Webb
editor@moneyweek.com

Scam watch

Criminals exploiting fears about coronavirus have stolen nearly £1.5m since the outbreak started, says Kenza Bryan in the Times. Action Fraud, the national crime reporting centre, received over 500 reports mentioning the virus between 9 February and 2 April, with total losses to victims of £1.6m. The Pensions Regulator warns that fraudsters are targeting those who are worried about a drop in the value of their pension funds due to the recent stockmarket falls. Among other things, scammers promote bad trading advice or fake investment schemes with the promise of ridiculously high returns. Fraudsters have also impersonated the police and HMRC in text messages, issuing "fines" for breaking social-distancing rules or suckering people in with promises of non-existent grants. One message reported to UK Finance reads: "URGENT: UKGOV has issued a payment of 558GBP to all residents as part of its promise to battle Covid-19".

Cover illustration: Howard McWilliam. Photos: iStock; Disney+

Good week for:

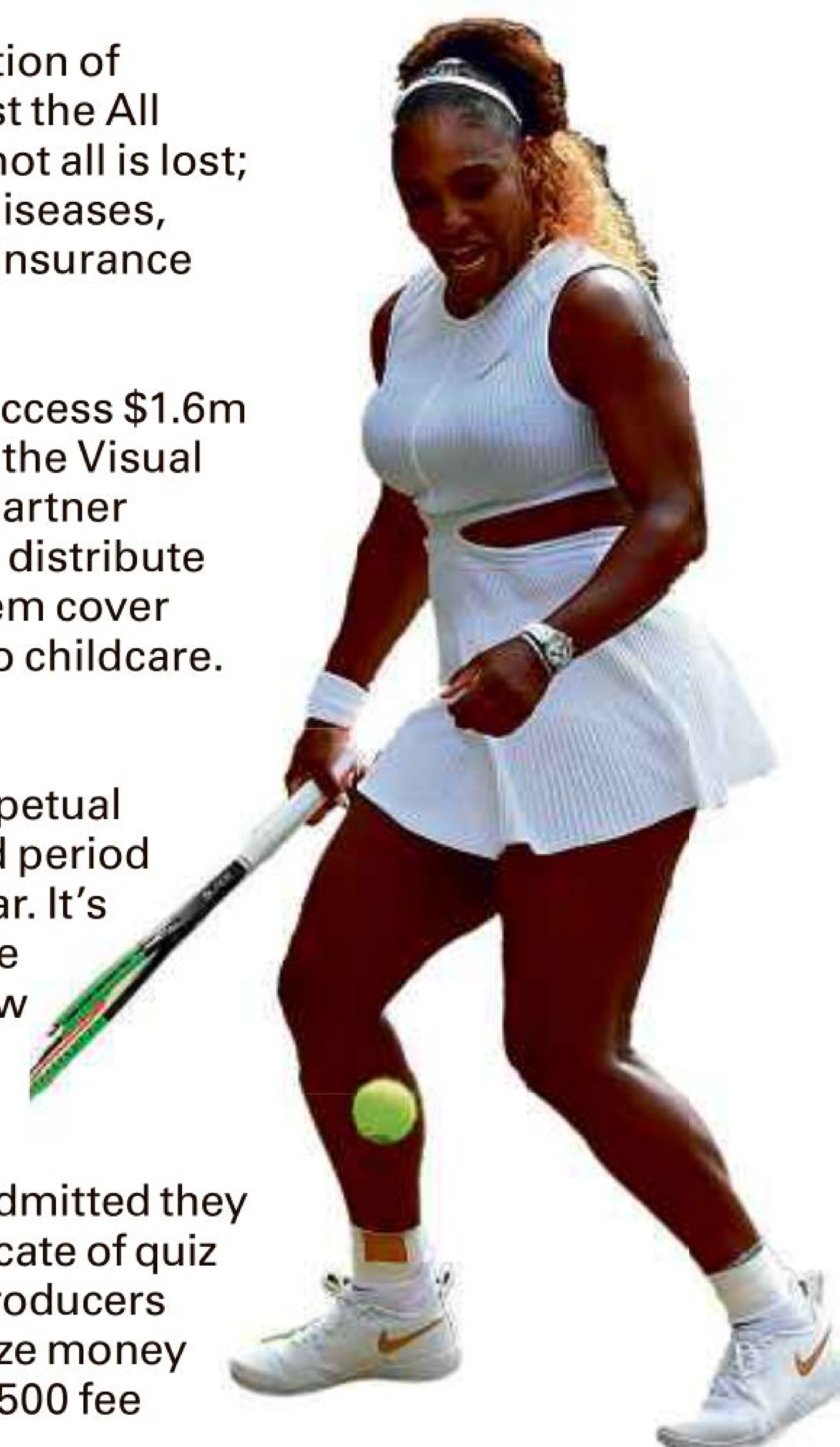
"When the coronavirus outbreak forced the cancellation of **Wimbledon** it looked like game, set and match against the All England Club," says Stuart Fraser in The Times. But not all is lost; the club's insurance policy, which covers infectious diseases, could see it reimbursed with over £100m. The club's insurance policy is understood to cost about £1.5m a year.

Artists affected by the Covid-19 crisis will be able to access $1.6m in relief grants from the Andy Warhol Foundation for the Visual Arts, says Artsy. The foundation is teaming up with partner organisations in its Regional Re-granting Program to distribute grants of $100,000 to artists in 16 US cities to help them cover anything from everyday expenses to medical costs to childcare.

Bad week for:

Mark Barnett has been sacked as manager of the Perpetual Income & Growth Investment Trust after a prolonged period of underperformance, says Holly Black in Morningstar. It's the latest blow to Barnett, who was removed from the Edinburgh Investment Trust in December. He also saw his Invesco Income and Invesco High Income funds downgraded to "neutral" amid liquidity concerns.

The makers of *Who Wants To Be a Millionaire?* have admitted they were scammed out of £5m in prize money by a "syndicate of quiz cheats", says Chris Hastings in The Mail on Sunday. Producers believe the gang netted "at least" 10% of the £50m prize money paid out from 2002 to 2007 by charging applicants a £500 fee and then slipping them answers.



©Getty Images

Dividends are disappearing

Alex Rankine
Markets editor

The US Congress has banned firms that receive federal aid from buying back shares

©iStockphotos

Are dividends the new bankers' bonuses? During the financial crisis lavish salaries in high finance became a "lightning rod for political anger", says Attracta Mooney in the Financial Times. In 2020, as US and European politicians urge companies to scrap payouts in return for bailouts, it seems that dividends and buybacks have taken on that mantle. Major British banks ditched their dividends last week under pressure from the Bank of England.

Global stockmarkets recently finished their worst quarter since 1987 but seem to have found their feet in recent days. Indices rallied at the start of this week, with Germany's Dax rising nearly 6% and the S&P 500 7% on Monday to register its best day in a fortnight and its third-best in over ten years, notes John Authers on Bloomberg. Signs that the outbreaks could be set to peak in some countries have provided all of us with a rare dose of hope.

Can't pay, won't pay

Income investors counting on a stream of reliable payments to tide them through the crisis have been disappointed. Link Group's UK dividend monitor shows that 45% of UK companies have already axed shareholder payouts. About £25.4bn in payments are sure to go, with another £23.9bn "at risk" this year. That means that about half of UK dividend payments could be axed for 2020 as a whole, compared to a 14% fall between 2008-2009.

The search for income is "getting harder by the day", says Michael Mackenzie in the Financial Times. Citigroup analysts think that earnings per share and dividends could halve in Europe this year, with dividends sliding 30% in America. What's more, it took three years for US dividends to return to normal after the financial crisis. This time, futures show that traders don't think US payouts will be fully restored for an astonishing nine years.

Buybacks banned

In America, debate has also turned to share buybacks, whereby a company purchases its own shares in order to boost its share price and earnings per share. Congress recently banned firms that receive emergency federal aid from conducting buybacks until the loans are repaid, leaving some observers asking if a crucial pillar of the US stockmarket's long run of world-beating returns is dead. Just how crucial? Research firm Reynolds Strategy estimates that buybacks have added $4trn to the US stockmarket since 2009, reports Paul Vigna in The Wall Street Journal. Indeed, net zero inflows from investors, pension funds and the like since the financial crisis mean that buybacks have been the "only net source of money entering the stockmarket" since 2009. Without buybacks, future US stockmarket returns could become decidedly mediocre.

Income seekers should not lose hope, says Richard Evans in The Daily Telegraph's Questor column. Unlike open-ended funds, investment trusts are allowed to "hold back some of their income" to ensure steady payouts when times are hard. During the financial crisis only one UK income trust cut its dividend. Let's hope they can repeat that feat this time around.

Stocks plunge as Latin America heads for lost decade

Latin America is facing a "lost decade", say Eric Martin and Patrick Gillespie on Bloomberg. Incomes in the world's "most unequal and violent region" had already fallen in recent years thanks to lower commodity prices. Now the coronavirus leaves Latin America bracing for "the deepest recession in its modern history". Indebted governments have few fiscal tools to soften the blow. The result is that per capita GDP in 2025 may well prove to be the same as it was in 2015, says Alejandro Werner of the International Monetary Fund. Fragile democracies are being pushed "closer to their breaking points".

The 2020s could prove yet more wasted years for Argentina

©Getty Images

The MSCI EM Latin America index fell an astonishing 45% in the first quarter, despite the fact that the coronavirus has so far hit other parts of the world far harder. The region's dependence on commodities and global trade has prompted investors to mark down stocks dramatically. Many local currencies have slumped, with the Mexican, Colombian and Chilean pesos and the Brazilian real all close to or surpassing all-time lows against the US dollar. Unsurprisingly, Argentina is among the hardest hit. A lockdown looks set to push the economy into an even deeper recession, says Nikhil Sanghani of Capital Economics. A disorderly default on the country's bonds, which could see recovery rates fall to as low as 30% of face value, looks increasingly likely. The 2020s may prove "another crisis-stricken decade in Argentina".

Mexico is in trouble too. With the US now the epicentre of the pandemic, cross-border trade is drying up. Local activity will plunge too. To make matters worse, says Mary Anastasia O'Grady in The Wall Street Journal, populist president Andrés Manuel López Obrador, long dismissive of the virus, has failed to serve up a meaningful fiscal stimulus.

More "mammoth" stimulus in Japan

Japan has declared a state of emergency and announced a $990bn stimulus package in order to deal with the effects of Covid-19. While the number of cases in the world's third-largest economy remains relatively low for now, a sharp increase in major urban areas in recent days has rattled the authorities. Prime Minister Shinzo Abe has also unveiled a mammoth stimulus plan worth 20% of GDP.

Japan is likely to attract increasing attention from income-seekers jaded by sweeping dividend cuts in other developed markets, Jim McCafferty of Nomura tells Reuters. About 50% of Japanese firms have net cash on their balance sheets, leaving them well placed to honour dividend commitments. By contrast, the same is true for just 18% of the 100 biggest US non-financial firms and just 21% in the UK. The Japanese market currently yields 2.8%.

Part of the bull case for Japan has long rested on the idea that cautious, cash-hoarding Japanese corporations were becoming more like their activist, buyback-happy Western counterparts, writes Jonathan Allum in The Blah newsletter. With Western governments now clamping down on dividends and buybacks, it would be a "supreme irony" if the Covid-19 crisis ends up seeing the rest of the world adopting some of the traditional features of Japanese capitalism, rather than the other way around.

Asia: a beacon of stability?

Investors pulled a record-breaking $83.3bn out of emerging-market stocks and bonds in March, says Dion Rabouin for Axios. That tops similar outflows seen during the global financial crisis or the 2014 "taper tantrum". There are growing fears that mass bond defaults in the world's emerging economies are only a matter of weeks away.

The MSCI Emerging Markets index lost almost 24% in the first quarter. Emerging market equities now trade on a 65% discount to US equities, the largest ever, says William Watts for MarketWatch.

That will draw the attention of bargain hunters, but the steep discount is warranted. In addition to fears about sovereign bond distress, many emerging economies will be hit hard by slumping commodity prices. Alarmingly "underdeveloped healthcare systems" are another concern.

Look east

Yet emerging Asian markets look poised to ride out the turbulence better than peers in Latin America and elsewhere. The MSCI Emerging Markets Asia index fell 18% in the first quarter in dollar terms, outperforming the 21.4% fall across all global markets. Mainland Chinese shares comprise about half of the MSCI Emerging Asia index, with the other half made up of shares in Taiwan, India, Thailand and other countries.

©Getty Images

South Korea has kept Covid-19 case numbers low without a strict lockdown

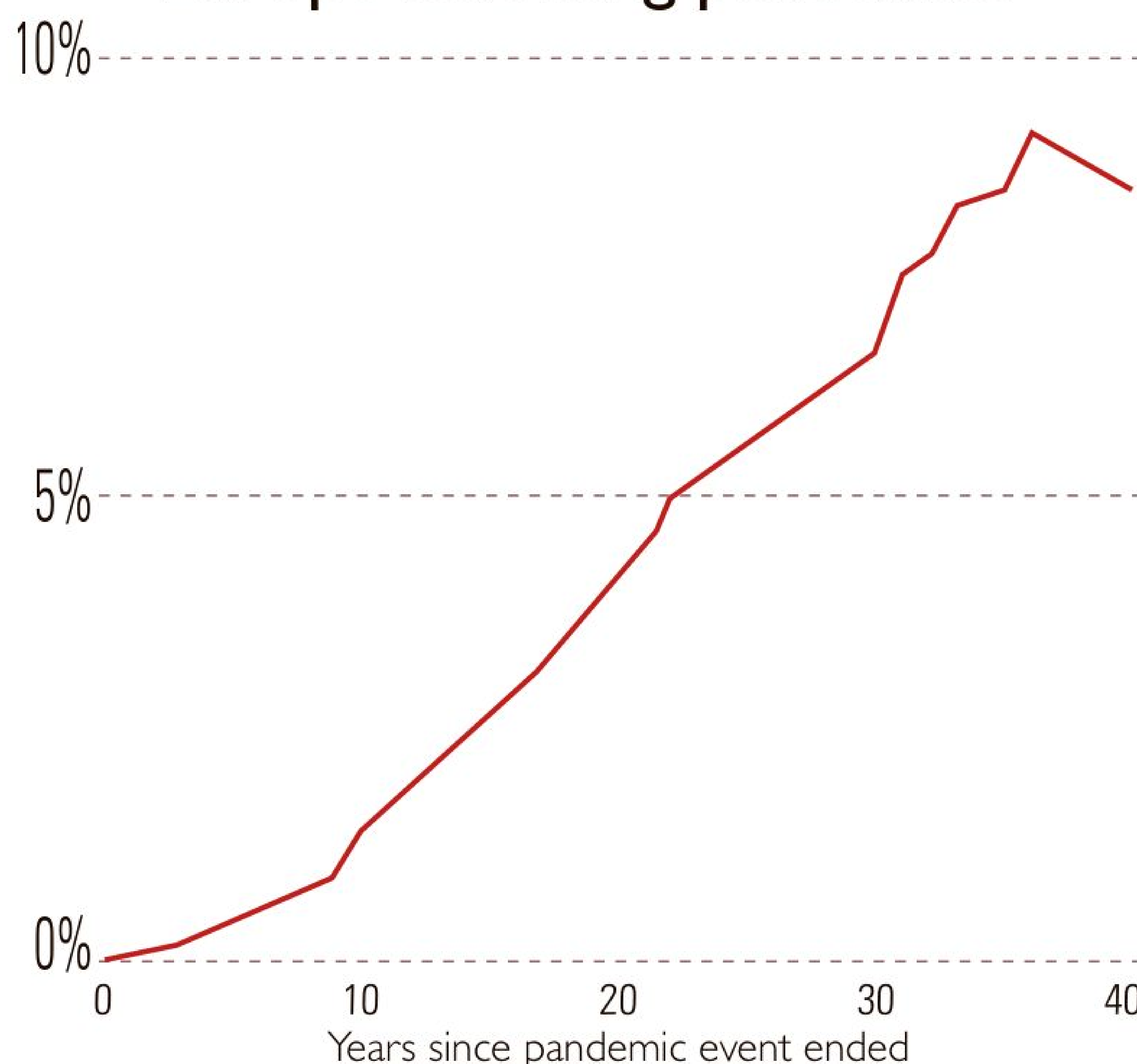
South Korea, despite its high incomes, is also still classified as part of Emerging Asia and makes up 15% of the index. The country's world-leading virus containment strategy has been widely praised, says Suhyoon Lee for Quartz. A programme of "stringent testing, contact tracing and isolation" has kept case numbers down without the need for the sort of strict lockdown measures imposed elsewhere. The country is even going ahead with elections next week. Asia will not escape the global downturn of course. Although many governments in the region have brought in effective containment measures, a "second wave" economic effect is incoming as lockdowns elsewhere cause global demand to dry up, says Deutsche Bank. That is bad news for the region's export-dependent economies. Some places look ill-prepared. The Indian economy "essentially won't grow at all this year" and the economic cost in Malaysia and the Philippines could prove "exceptionally large".

As in other regions, the pandemic will take a big chunk out of local earnings per share, says Mike Kerley of Henderson Far East Income Fund. Nonetheless, investors should note that businesses in many Asian countries have high levels of cash on their balance sheets and lower payout ratios than peers in the West. That leaves them better positioned to continue making payouts. "Asia will stand out as a relative beacon of stability for the income investor".

Recovery watch

Early this week case growth in western Europe had slowed sufficiently for the Austrian government to announce a timetable for businesses to re-open (see page 10). The seven-day rolling average growth rates for new cases and deaths are falling in Italy and Spain, while US case growth began to dip at the start of the week. There was also more evidence of a return to normal in China. According to the World Bank's chief economist for east Asia, Aaditya Mattoo, "more than 70% of large enterprises have begun production" following the shutdown, even though "they're not operating at full capacity". However, as he points out, "small and medium enterprises are still struggling". Another sign of improvement is that the number and capacity of ships waiting to be offloaded at China's ports has declined to long-term average levels, says Capital Economics – good news for other countries, given that China is crucial to worldwide supply chains.

■ Pay rises: a key side-effect of pandemics



When the Black Death "scythed through Europe" in 1348 and 1349, says John Authers on Bloomberg, the population fell by around 40%. So "naturally that strengthened the hand of the surviving workers". In 1351 the French government was desperately trying to cap guilds' pay rises at 33% above pre-plague levels. And the Black Death wasn't the only pandemic that boosted workers. A study by the San Francisco Federal Reserve that looks at real wages in Europe after episodes ranging from the Black Death to H1N1 flu in 2009 reveals a typical 8% gain by the time 35 years have passed. Labour progresses at capital's expense. It will be a similar story this time, says Authers, if governments' scramble to help workers is anything to go by.

MoneyWeek's comprehensive guide to this week's share tips

Three to buy

Anglo American
The Sunday Telegraph
Those who think that the virus lockdown will be followed by a rapid return to work would do well to invest in cyclical stocks while they are going cheap. The diversified miners have got their balance sheets in order in recent years and are poised to benefit from any recovery in commodity prices. Weakening emerging market currencies and 18-year lows in oil prices will keep Anglo American's costs under control. On seven times earnings the shares are a reasonably-priced way to bet on a global recovery. *1,218p*

Anpario
The Mail on Sunday
This small Aim-listed business makes natural, healthy additives for animal feed. Employees have been working "flat-out" during the shutdown as farmers seek to feed both their livestock and the country. The group's performance in 2019 was robust thanks to healthy sales in Latin America, parts of Asia and the Middle East. The fact that the firm has no debt and £13m in cash in the bank is a further attraction. Concern about the quality of animal feed and its effects on human consumers will only grow over coming years, so the stock is a buy. *325p*

Cranswick
Shares
Shares in this top-quality food producer have dodged the overall market slump. Cranswick is benefiting from two tailwinds: firstly, house-bound consumers are opting for its premium products to create "family treats". Secondly, a shortage of meat in China after African swine fever opens up new export opportunities. Strong cashflow and a conservative balance sheet are further plus points. *3,630p*

Three to sell

FedEx
The Times
This American courier service operates more than 180,000 lorries and vans and 679 aircraft worldwide. The world's largest supplier of express deliveries is certain to be hit by the steep drop-off in business activity and significant disruptions to logistics supply chains. More online orders by consumers and cheaper oil prices bode well. But with the shares on 23 times earnings there are cheaper options elsewhere following the market crash. Avoid. *$114*

G4S
Investors Chronicle
For a company that specialises in handling cash, G4S has proven a poor steward of shareholders' money in recent years. The group's 'secure solutions' business accounted for over four-fifths of revenue last year. Management plans are to shift into "technology-enabled" security areas that offer a higher margin, but a disappointing execution track record does not inspire confidence. A "pensions millstone" and £2.1bn in net debt also militate against a turnaround. Over a fifth of revenue comes from cyclical industries so Covid-19 will depress sales. Sell. *88p*

Next
Motley Fool UK
Fashion retailers are bearing the brunt of the pandemic, with like-for-like sales down 25.9% last month. Next makes 43% of its sales from now closed physical outlets, but its burgeoning online operation cannot come to the rescue; it recently stopped taking orders in order to protect the health of warehouse and distribution workers. Ignore the 5% dividend yield. The sales collapse means the payout will be scrapped soon. Avoid. *3,429p*

...and the rest

The Daily Telegraph
Shares in many housebuilders have halved but the structural imbalance between housing demand and supply is not going away. A strong balance sheet and opportunities to buy up land on the cheap make **Berkeley Group** the pick of the bunch *(3,615p)*.

The Mail on Sunday
More frequent hand-washing has seen water usage jump by 10% in some households, making utility firm **Severn Trent**, which yields 4.7%, a defensive pick for uncertain times. Existing investors should hold and new buyers should take a look *(2,149p)*.

Shares
Many commercial landlords are being forced to slash rents, but **Supermarket Income Reit** offers a rare safe haven. Buy *(105p)*.

The Times
The work-from-home boom has generated plenty of buzz around online video conferencing platform **Zoom** yet the risk-averse will not want to jump in lest its astronomical $48bn valuation should come crashing back down to earth *($146)*. Self-storage business **Safestore** has managed to maintain its dividend but could face a tricky time as housing transactions dry up. On 21 times forecast earnings the shares seem fairly priced given the long-term growth prospects. Hold *(637p)*.

Investors Chronicle
Buy drinks maker **Diageo**: its strong brand, financial track record and long-term growth should leave it "shaken, not stirred" by the pandemic *(2,513p)*. The global lockdown will only accelerate the shift towards online retail, so buy into logistics property company **London Metric** *(163p)*. The year ahead will be difficult for online fashion retailer **Boohoo**, but a share price pullback creates an appealing entry point into a long-term winner. Buy *(191p)*.

A German view

It cost US software group Adobe $30m to shift its annual "Digital Experience" conference online owing to the virus, says Wirtschaftswoche. But in the long run it is likely to prove one of the winners of the post-lockdown world. Adobe's products range from digital marketing to desktop-publishing tools such as Photoshop and page-layout programme Indesign (used to produce MoneyWeek). The group's growing emphasis on cloud computing, whereby firms rent services online rather than buy them to use in-house, has helped ensure that two-thirds of its business is recurring. Sales and margins are climbing as companies bolster their online presence.

IPO watch

Two initial public offerings (IPOs) "are testing the deep freeze" in US listings caused by the coronavirus, says Richard Henderson in the Financial Times. Cancer treatment developer Zentalis Pharmaceuticals and WiMi Hologram Cloud, a Chinese technology group specialising in augmented reality for advertising, both took the plunge late last week. WiMi Hologram Cloud ended its first day flat; Zentalis jumped by 29%, achieving a market value of $798m. The deals, both on the Nasdaq, "offer the first glimpse of... appetite for IPOs since US stocks entered a bear market in early March, prompting at least 20 companies to postpone flotations".

©Getty Images; iStockphotos

City talk

● Rolls-Royce's decision to suspend its dividend for the first time since it was privatised in 1987 will have "delighted" the chancellor, says Nils Pratley in The Guardian. It avoids a bailout. There's even a big silver lining for shareholders, as shown by the 18% bounce in the share price: it is less painful than a rights issue would have been and it is also "reassuring" to see the company's ability to absorb financial pain. It has made use of two credit facilities worth a total of £4bn, while the dividend suspension, along with a temporary 10% pay cut for workers and a reduction in spending, will boost cashflow by £750m.

©Getty Images

● Shares in US-listed Luckin Coffee, China's "upstart" rival to Starbucks, have collapsed amid allegations that its chief operating officer engaged in "misconduct" by fabricating numbers, says Nisha Gopalan on Bloomberg. However, investors "should have seen this coming" given that there has long been scepticism over the sustainability of Luckin's business model and its "turbo-charged" expansion. It spent 152 yuan for every 100 it made selling coffee. Beware of Chinese startups that show "meteoric" growth.

● Airbnb may have raised $1bn of debt and equity from investment firms Silver Lake and Sixth Street Partners, but its planned flotation looks a long way off, says Eric J. Savitz in Barron's. The firm was supposed to go public this year but the pandemic has "all but shut down the market" for new entrants. And listed travel companies are slumping. Marriott International and Hilton have fallen by more than 40%. While the company's management believes that the desire to travel is "fundamental and enduring", the crisis has already forced Airbnb to refocus on long-term stays.

Banks drop their dividends

Regulators have insisted that British banks scrap their payouts. HSBC's shareholders are particularly cross. Matthew Partridge reports

Retail investors in Hong Kong have threatened legal action against HSBC after UK regulators persuaded it to cancel its dividend, says the Financial Times. HSBC was one of five UK-based lenders that last week "bowed to pressure" from the UK's Prudential Regulation Authority (PRA) to withhold its annual payments to shareholders. However, although the bank is headquartered in London, a third of its shares are owned by individual investors in Hong Kong, many of whom rely on the bank's dividends for income. The decision has "reignited the debate"over whether HSBC's headquarters should move to Asia.

You can see why HSBC's shareholders and executives are cross, says Alec Macfarlane on Breakingviews. But not only does the agitation "lack class", it is also short-sighted given that HSBC is also the "biggest provider of credit cards and mortgages" in Hong Kong and a "big lender" to small businesses, many of which are "under strain" thanks to the crisis. In any case, not only is the law very clear that HSBC can withdraw payouts "as and when it pleases", but it's also clear that "flying in the face" of HSBC's regulators would harm shareholders even more.

©iStockphotos

Shareholders in Hong Kong are angry with HSBC

Political showboating?

HSBC's shareholders are not the only ones to feel angry, as the ban on dividends has been a "blow" to other banks' shareholders too, says The Times. They "range from pension funds to private investors". In the day after the move was announced, Standard Chartered's share were off by 7.%, Barclays slid 12%, while Lloyds fell by 11.7% and RBS by 5.2%. The matter is also complicated by the fact that while investors have now been deprived of their final dividends for the lenders' performance in 2019, top bankers "will already have been paid some of their cash bonuses", which will be "difficult" to claw back. Banning bank dividends will hurt many of the "same savers and pension funds whose income has been ravaged by coronavirus", says Ben Marlow in The Daily Telegraph. What's more, the fact that even the PRA admits that current capital buffers are "more than sufficient" to cope with the impact of "severe global recessions" and market shocks means that the ban smacks of "political showboating". Nevertheless, the huge amount of uncertainty about the impact and length of the crisis means that halting dividends "is absolutely the prudent thing to do". It will also give banks additional capital to lend to the small and medium-sized firms that are the "beating heart" of the economy.

Shareholders on the other side of the Atlantic may soon be in the same boat. JPMorgan's CEO Jamie Dimon says Wall Street's largest bank may have to suspend its dividend, says Rob Davies in The Guardian. Dimon expects that even in the best case scenario, financial institutions will have to deal with the effects of a nasty downturn creating "financial pressures reminiscent of the banking crash more than a decade ago".

A state lifeline for easyJet

The first major UK airline bailout has taken place, says Gwyn Topham in The Guardian. No-frills carrier easyJet has secured a £600m loan from the Treasury and Bank of England's emergency coronavirus fund. It has also promised to borrow another £407m from commercial creditors.

Nonetheless, easyJet's founder Stelios Haji-Ioannou still thinks that it still could run out of cash in the near future, insisting that predictions that large-scale international flights could resume by June are "wildly optimistic". He thinks that the loan simply "pushes the insolvency boundary back from August to late-autumn, early winter".

©Getty Images

Meanwhile, the battle between Haji-Ioannou and the easyJet board over a £4.5bn contract easyJet has signed with Airbus shows no sign of letting up, says Nikou Asgari in the Financial Times. Although Haji-Ioannou argues that the "long-term viability" of the low-cost airline rests on the Airbus order being cancelled, the board has refused to terminate the contract, arguing that they can change the delivery dates. Haji-Ioannou has now said he wants to oust easyJet's chief financial officer, Andrew Findlay.

EasyJet is unlikely to be the only British airline needing state aid, says Oliver Gill in The Daily Telegraph. Virgin Atlantic has been discussing an emergency loan, but agreeing a bailout that "did not leave the British taxpayer at risk" has proven to be "problematic". Not only has Virgin "struggled with profitability" but its decision to lease rather than own its planes means that there is "little security to put up against a state loan".

When will the lockdown end?

With the PM seriously ill, the decision will fall to others. Matthew Partridge reports

It's a time of intense anxiety for the nation

Prime Minister Boris Johnson's admission to intensive care, due to a bad case of the coronavirus, is a time of "intense anxiety" for both him and for his family and friends, but also for the country, says the Financial Times. (His condition seemed thankfully to have stabilised as MoneyWeek was going to press.) For the nation, it constitutes an "extremely grave situation" as the government Johnson leads is "relatively new and inexperienced". There are concerns that the foreign secretary, Dominic Raab, who is deputising for Johnson, lacks the "experience" and "finely honed political skills" to handle the day to day running of the government.

Who's in charge?

The relative "youth and inexperience" of the cabinet is a concern, says The Daily Telegraph, but the British system is set up so that the government can "carry on regardless of the leader's health". After all, Johnson "is not the first prime minister to be stricken in a crisis". The Russian flu of 1890 temporarily incapacitated the then prime minister, Lord Salisbury; David Lloyd George fell victim to the Spanish flu in 1918, and had to spend the next 11 days inside a makeshift sick room. Even Churchill was "flattened" with pneumonia for a short period at the height of World War II.

Still, the situation is made more problematic by the fact that there has been "rivalry" between various cabinet ministers – most notably between cabinet office minister Michael Gove and the health secretary, Matt Hancock – over "who takes precedence in the campaign against the virus", says The Economist. Raab has also appeared to distance himself from Hancock's pledge to reach a target of 100,000 tests per day by the end of the month. All at a time when the government has a "critical decision" to make over whether to extend or relax the initial three-week lockdown, which is set to be reviewed on Monday 13 April.

What comes next

Don't hold your breath, says Rebecca Speare-Cole in the Evening Standard. Raab has already seemed to rule out an end to the lockdown by suggesting that the "worst thing" the country could do was "take its foot off the pedal" in terms of social distancing. He has also said that the government will not remove restrictions until we've "got the evidence that the measures are working". Similarly, the chief medical officer, Chris Whitty, has said that he will only recommend a relaxation once he is confident that the country is "beyond the peak" in terms of the number of infections and deaths.

It's true that a "rigorously observed" lockdown for an extended period is the "only way to save thousands of lives that would otherwise be lost", says The Guardian. However, as other countries begin to unveil "looser measures", the government will face "intense" pressure to reveal its own eventual exit strategy. This must include a system of "effective contact tracing", as well as keeping certain vulnerable sections of the population at home. The government came to be seen as "badly behind the curve" when it came to moving to a form of lockdown; it will soon need to offer a "credible" account of what comes next.

Labour: the grown-ups take back control

Starmer: "likeable but dry"

Having won a "resounding" victory in the Labour leadership election, with 56% of the vote in the first ballot, Sir Keir Starmer moved quickly to stamp his mark on the party in his appointments to the shadow cabinet, says The Times. "Key Corbyn lieutenants", such as Richard Burgon, Barry Gardiner and Ian Lavery, have been removed, as have John McDonnell and Diane Abbott. Emily Thornberry takes a more junior role, and moderates Lord Falconer, David Lammy and former leader Ed Miliband add "familiar faces" to the team.

What this means is that the hard left no longer has control of the party, says Tom Harris in The Daily Telegraph. And as Starmer is not reviled by the parliamentary party, he will not like Corbyn have to rely on "junior and underperforming MPs", but can appoint on merit. Overall, the line-up represents a great leap forwards.

The downside is that it has "few charismatic voices"; Starmer himself is "likable but a little dry", says Therese Raphael on Bloomberg. Still, the coronavirus crisis means that he and his team will have plenty of time to "fine tune" their message. The crisis and its aftermath is also likely to make voters keener on technocrats than "populist flamethrowers", which may work in Starmer's favour in the end. Labour may also benefit from the fact that the pandemic has highlighted the "central role" of government, and of public services, something Labour has "long championed" as Conservative governments "slashed budgets". For now, though, we at least have a "grown up" leading the opposition. "That's not just good news for the party, it's to the benefit of the country."

Betting on politics

The number of bets you can take on the US elections in November continues to rise. Ladbrokes is offering markets on the outcome of the presidential election in all 50 individual states; you can also bet on the outcome of the Senate races in four states (Arizona, Colorado, Maine and North Carolina). Smarkets.com allows you to bet on all of the Senate races as well as a bunch of House seats – though most of its markets are not liquid enough to make them worth tipping yet.

Ladbrokes has eliminated some of the most obvious bargains, but you should still take the 4/11 (73.3%) on the Republican candidate carrying the state of Texas in the presidential election. Although changing demographics mean that this is no longer the safe Republican state that it once was, the Republicans still have a big advantage there – Trump beat Hillary Clinton by a margin of just under 10% four years ago. It's unlikely the Democrats will win it this time, though they may close the gap further.

I'd also take the 1/3 (75%) on the Democrats getting most seats in the House of Representatives. Gerrymandering has given the Republicans an inbuilt advantage, but the Democrats lead by around 9% in generic national polls. Even if Trump manages to pull off a victory, any boost to the Republican congressional candidates will likely be very limited as many voters will be wary of giving the Republicans control of Congress as well as the White House.

Fine Wine

offers investors calm amidst the Covid-19 storm

As financial markets continue to take a battering from the effects of the Covid-19 pandemic, Fine Wine investment portfolios have so far navigated the storm largely untouched.

The current coronavirus pandemic has seen huge swings in the equity, bond, commodity and currency markets. However, the investment grade Fine Wine market has remained buoyant and steadfastly placid, demonstrating the benefits of a diversified portfolio of investments, particularly into wines from Bordeaux, Champagne and further afield.

STABILITY IN UNCERTAIN TIMES

Fine Wine has once again demonstrated resilience to swings in global financial markets in 2020. Since January, the benchmark Liv-ex Fine Wine 100 index has fallen by only 2.5% (partly due to Brexit and ongoing US tariffs on French wine). Over the same period – up until mid-March – the FTSE 100 had fallen by 33%, the Dow Jones Industrial Average by 19% and Japan's Nikkei 225 by 27%. (source: Bloomberg, 16/3/2020).

COMPARISON WITH ALTERNATIVE ASSETS

Fine Wine is a consistently high performer in the annual Knight Frank Wealth Report (which shows Fine Wine market growth of 120% over 10 years), and is often categorised with alternative assets such as art, classic cars, jewellery and property, however, these other assets are highly illiquid. Fine Wine, on the other hand, has a readily identifiable market, the Liv-ex Exchange that allows live trading of the asset and so an exit is possible on a realtime basis. This is particularly true of the more sought-after Investment Grade Fine Wines that would make up a portfolio put together by Noble Rot.

What explains this apparent resistance? There are a number of factors.

FINE WINE HAS A CONSISTENTLY LOW CORRELATION TO EQUITY MARKETS

Fine Wine has demonstrated a low correlation of between 0.09 and 0.12 (where '1' would indicate that prices move in lockstep, while '0' would represent no correlation at all) to the S&P 500. This points to the diversification benefits of the asset. Meanwhile, the Liv-ex 100 index outperformed almost all other asset classes during the 2008 global financial crisis.

INVERSE SUPPLY CURVE DRIVES AN INCREASE IN VALUE OF THE INVESTMENT

Fine Wine performance has shown impressive growth over the medium to long term, with the benchmark Fine Wine 100 index growing by an average of 10.7% per annuum over the past 19 years, in the same period that the FTSE 100 fell by 0.4% a year. Fine Wine is generally influenced by two long term economic fundamentals: supply and demand. The finite supplies of the finest wines diminish over time as they are consumed, while investment grade Fine Wine also improves with age, making for an asset that is in greater demand even as it becomes more and more scarce.

A PHYSICAL ASSET IS WIDELY REGARDED AS A HEDGE AGAINST RISK AND INFLATION

Noble Rot clients invest in their own, physical investment grade Fine Wine holdings, stored at Vine International, the gold standard of Fine Wine storage. Physical assets traditionally perform well in periods of economic uncertainty as they act as a 'store of value'.

A CURRENCY HEDGE

A dip in sterling actually boosts the Fine Wine market: The key Fine Wine indices (the Liv-ex 100 & 1000) are priced in sterling, but the majority of buyers are from China, the US and other major global markets. A weaker pound makes wine cheaper in the local currency of international buyers, which stimulates global demand.

THE BENEFITS OF DIVERSIFYING INTO FINE WINE

More generally, the best investment grade Fine Wines are highly liquid (particularly when compared to other physical assets) as there is a defined exit into an active global market of regularly traded Fine Wine: the Liv-ex Exchange. Wine is considered by HMRC to be a wasting chattel and so is treated as being capital gains tax exempt. Investment grade Fine Wine also displays low price volatility over our recommended holding period of five to ten years as opposed to the sometimes extreme volatility seen in financial markets.

NOBLE ROT'S EXPERTISE

With decades' worth of experience in Fine Wine investment, Noble Rot's personal and data-led approach ensures that our clients are best-placed to outperform the wider Fine Wine market. For a free, no-obligation consultation to discuss a managed Fine Wine portfolio and/or valuation of your current Fine Wine holdings, please get in touch to find out how Noble Rot can help you add significant robustness and value to your financial assets.

Download our Fine Wine Investment guide via:
noblerot.org
info@noblerot.org
+44 020 7316 3036.

In association with

Washington

Output plummets: A record 1,800 US deaths in a day from Covid-19 were reported on Tuesday, taking the total number of deaths to 13,000. Around 398,000 cases of the virus had been confirmed by the start of the week – the world's highest national total, says the BBC. Globally, 1.4 million cases have been reported. President Donald Trump said the US might be getting to the top of the "curve" in the number of new cases. Still, due to the lockdown measures, "we now anticipate an unprecedented 40% annualised decline in second-quarter GDP, with the unemployment rate spiking to 12.5% within a few months", says Paul Ashworth of Capital Economics. Even with a recovery in the second half of the year, the economy is expected to shrink by 5% in 2020, "with a 6.5% rebound in 2021". Of the 50 states, 41 have ordered at least some businesses to close. In the three weeks since the closures, output has fallen by around $350bn. "It's like if Indiana disappeared for an entire year," says Mark Zandi of Moody's Analytics.

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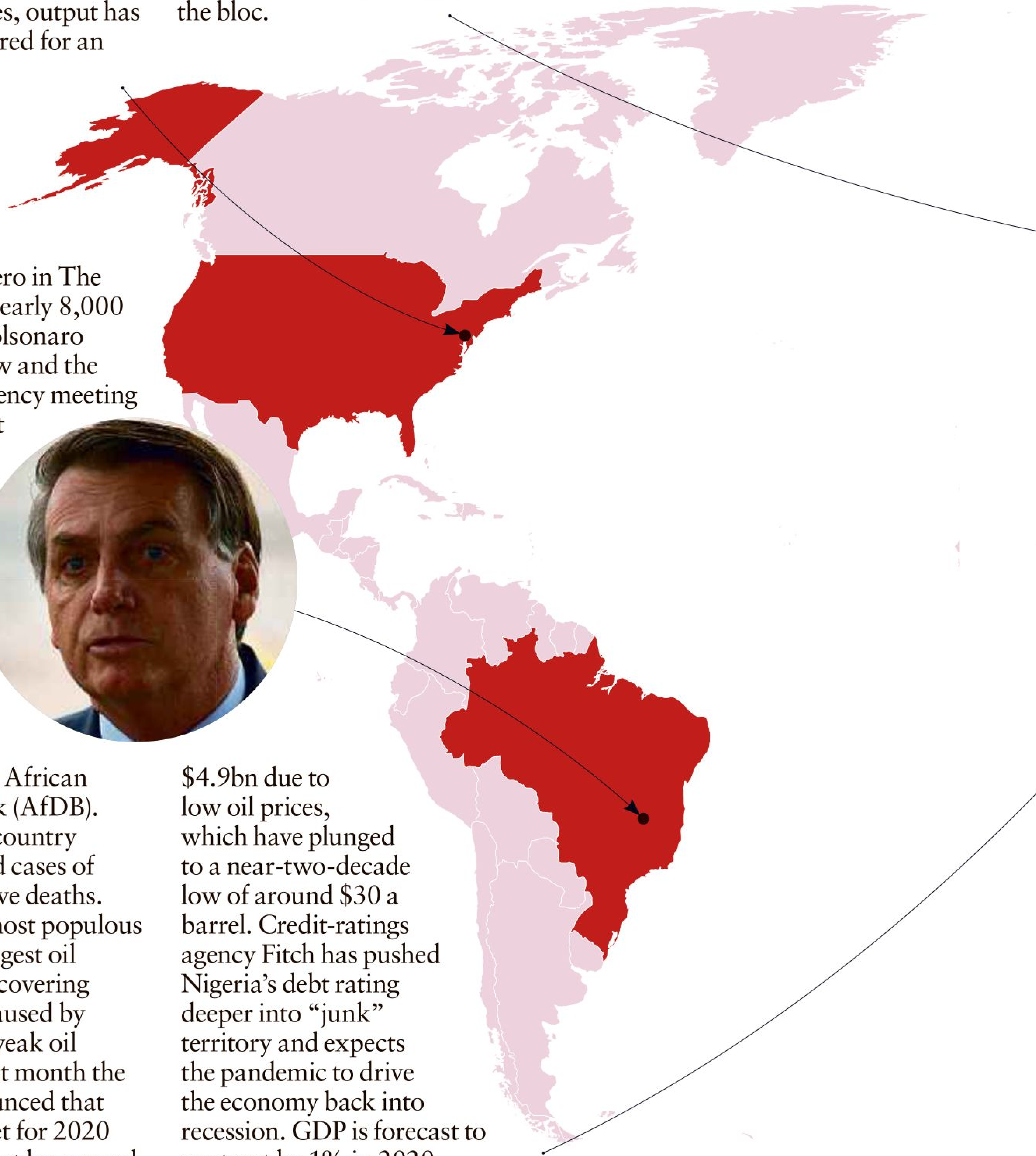
Paris

A grim first quarter: The death toll from cases of Covid-19 had risen to 10,238 by Tuesday, with Paris taking the additional step of banning people from exercising outdoors between 10am and 7pm. The government is expected to extend confinement beyond the current end date of 15 April, says the BBC's Hugh Schofield. Meanwhile, the economy shrank by an estimated 6% in the first quarter, according the Bank of France. That would be the biggest quarter-on-quarter drop in GDP since World War II and greater than the 5.3% recorded during the strikes of May 1968. Factories are running at a record low of 56% of capacity, down from 78% in February. For every two weeks of confinement, GDP will be 1.5% lower, the central bank said. Meanwhile, Italian manufacturing activity has plunged to an 11-year low and Germany's economy is expected to contract by 10% in the second quarter alone, a record plunge. A meeting of EU finance ministers has failed to agree on a €500bn rescue package for the bloc.



Brasília

President deep in denial: Brazil's president Jair Bolsonaro (pictured) continues to dismiss the risk of the deadly coronavirus, saying people should go back to work despite the isolation advocated by his health minister, say Luciana Magalhaes and Juan Forero in The Wall Street Journal. Despite infections ballooning to nearly 8,000 and deaths reaching more than 300 as of last week, Bolsonaro has told Brazilians that the risk from coronavirus is low and the country should stay open for business. After an emergency meeting 25 of Brazil's 27 state governors called on the president to support health guidelines they have adopted: to close businesses and quarantine individuals to give healthcare authorities some breathing space. He hasn't done so, instead stressing that his overriding concern is the country's economy, which had emerged from a "brutal" recession and was set to grow this year before the pandemic arrived. Last week Brazil's lower house of Congress approved a "war budget" of between $94bn and $112bn to shield the economy from the crisis, says Al Jazeera.

Abuja

Africa's top economy tanks: Nigeria, Africa's biggest economy, is seeking $6.9bn to combat the impact of the coronavirus pandemic, says Paul Carsten in Reuters. The country's revenues have dropped with the fall in oil prices, prompting finance minister Zainab Ahmed to request $3.4bn from the International Monetary Fund, $2.5bn from the World Bank and $1bn from the African Development Bank (AfDB). As of Sunday, the country had 232 confirmed cases of coronavirus and five deaths. Nigeria, Africa's most populous country and its biggest oil producer, is still recovering from a recession caused by the last period of weak oil prices in 2016. Last month the government announced that the $34.6bn budget for 2020 would have to be cut by around $4.9bn due to low oil prices, which have plunged to a near-two-decade low of around $30 a barrel. Credit-ratings agency Fitch has pushed Nigeria's debt rating deeper into "junk" territory and expects the pandemic to drive the economy back into recession. GDP is forecast to contract by 1% in 2020.

©Getty Images

The way we live now: an industry buzzing amid the lockdown

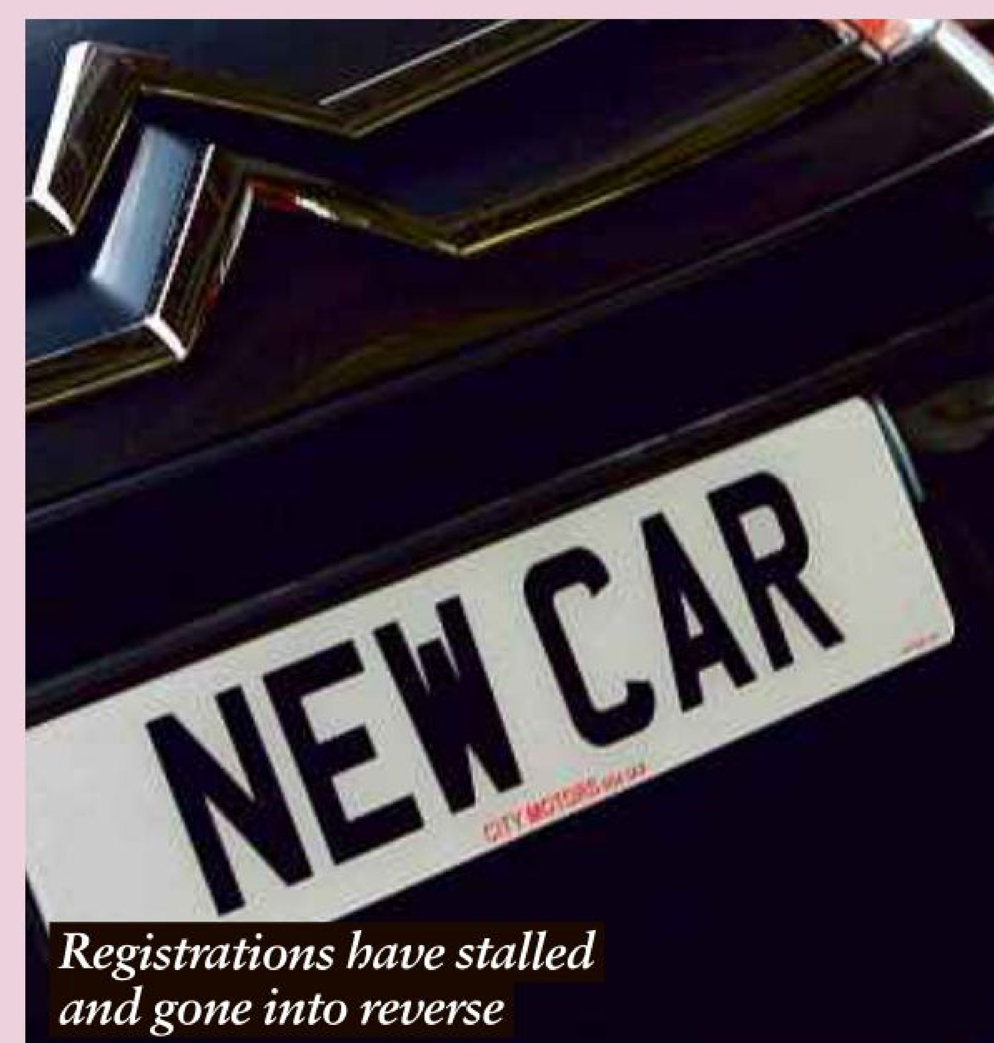
The coronavirus pandemic is a boon for producers and purveyors of condoms and sex toys, says Guy Chazan in the Financial Times. With many couples quarantined in separate house shares, Ann Summers, the British lingerie chain, saw its sex toy sales jump by 27% year-on-year in the last week of March. The best-selling item was the Whisper Rabbit, which it markets as its quietest vibrator. "Customers are placing increasing importance on noise while they have a full household," the company said. Ritex, Germany's largest domestic condom maker, says that sales nearly doubled to 12.7 million in March compared with March 2019. Fear of Covid-19 has prompted a flood of adrenalin and a subsequent "dopamine rush" in many people, says German sexual health specialist Axel-Jürg Potempa, which "increases desire and libido". He expects a virus-induced baby-boom around Christmas. The isolation that has come with the crisis has made people seek "more emotional intimacy", adds Robert Richter, Ritex's managing director. Still, it's not all plain sailing for the sector. As elsewhere, supply chains have been disrupted. A global condom shortage looms.

Expect a Christmas baby boom

©iStock

London

Corporate profits collapse: The number of deaths from Covid-19 rose to 6,159 in the middle of the week, with a record 786 deaths reported for Tuesday. By then, there had been 55,200 confirmed cases and more than 6,260 deaths. A ray of hope was offered by Patrick Vallance, the government's chief scientific adviser. It was "possible that we're beginning to see… the curve [of new cases] flattening", he said. Meanwhile, with people unable to leave their homes, new car registrations fell by 203,370 (44%) to 254,684 compared to last March, according to the Society of Motor Manufacturers and Traders (SMMT). As for businesses, the first three months of 2020 "saw the third consecutive quarter of profit declines, such that UK profits were a third lower than in 2007 (after inflation)", according to data company Link Group. Just 42% of companies reported rising profits in the first quarter, the lowest proportion since 2009. Link expects profits to decline by 75% by the autumn, ahead of a "bounce-back" into 2021. "This is a hit of £170bn over 18 months, equivalent to a year's worth of profit for UK plc." Dividends are being suspended or slashed (see pages 4 and 13), but Tesco has bucked the trend, promising an unexpectedly large full-year dividend even as it warned that profits could fall this year owing to the virus.



Registrations have stalled and gone into reverse

Wuhan

Lockdown ends at Ground Zero: Authorities in Wuhan, where the coronavirus first emerged, have formally ended the 77-day lockdown on the city, says The Wall Street Journal. The city has announced only three new confirmed cases with symptoms since 18 March. Before that it reported 50,008 cases – 61% of China's total – and 2,571 deaths. Epidemiologists, US intelligence sources and Wuhan's residents worry that the authorities may have undercounted infections and deaths. Along with reports of between 10,000 and 20,000 new asymptomatic cases, this has fuelled fears of a second wave of infections. Studies estimate that Wuhan had a cumulative total of 125,959 cases by 18 February. The extent of a second wave "will depend on what strategy [is] implemented [for] detecting and isolating those cases without symptoms". The pandemic may prompt the government to consider reducing China's economic growth target for 2020, says Bloomberg. The annual figure is usually announced by March, but has been delayed. An ambitious goal of somewhere around 6% would suggest a flood of stimulus will be deployed; a more "realistic" number of around 3% would signal a continuation of the current targeted support measures. The state's longer-term aim is to reduce long-term credit growth and the national debt mountain.

Vienna

Austria prepares to open: Austria has become the first country in Europe to ease its lockdown measures, with shops set to reopen as early as next week. Chancellor Sebastian Kurz (pictured) announced a plan to revive the economy while minimising the risk of a surge in infections, which have totalled just over 12,000 so far. Small shops, garden centres and DIY stores will be allowed to open again from 14 April and "higher-risk" businesses, such as hair salons, from 1 May. There is no exact date for restaurants and cafes, but the government indicated it could be as soon as mid-May. The Austrian National Bank expects the economy to shrink by 3.2% this year if lockdown measures are lifted in the second quarter, says François Murphy for Reuters. With many of its neighbours still battling to hold down cases of the virus and hospital systems bordering on capacity, Austria's plan will be watched very closely. It will be "seen either as a bold decision to balance public and economic health, or as a gamble that prioritises the latter".

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Singapore

Government performs a U-turn: Until this week Singapore had been reluctant to shut down businesses and close schools. But now it has done just that as confirmed cases of local transmissions and unlinked infections continue to rise, say Philip Heijmans and Faris Mokhtar on Bloomberg. It performed the U-turn after it announced 120 new cases, its highest single-day tally so far, on Sunday. A total of 1,375 cases have been reported in the country. The export-reliant city state is "reeling" from the impact of the pandemic, with the government predicting a 1%-4% contraction in the economy this year; that estimate came before the restrictions on movement began. Deputy Prime Minister Heng Swee Keat has announced a third stimulus package in two months. This S$5.1bn (£2.9bn) programme propels the nation's total virus relief to S$60bn, or 12% of GDP. It includes cash payouts to individuals as well as additional steps to save jobs. All this government activism will increase the budget deficit in the current fiscal year to 8.9% of GDP.

Is the lockdown worth it?

The longer we are shut up in our homes, the greater the cost – including the cost in lives lost from other causes than Covid-19. At what point does the cure become worse than the disease? Simon Wilson reports

What has happened?

In the wake of the coronavirus pandemic and lockdown, the UK economy appears to be heading for a recession far deeper than the one that followed the 2008 financial crisis – and a bigger contraction than analysts estimated just a couple of weeks ago. In 2009 the economy contracted by 4.2%. By contrast, with the economy grinding to a halt in the second quarter as shops shut and many businesses halted operations, four leading forecasters surveyed by the Financial Times now predict a contraction over the whole of 2020 of between 7% and 8%. That would make it the third-worst recession since 1900.

Health secretary Matt Hancock: economic realities make for tough decisions

©Getty Images

Won't it depend on the exit strategy?

There are lots of caveats and unknowns in all the forecasts. With entire swathes of the economy shut down, "traditional forecasting methods become irrelevant", warns Chiara Zangarelli, an economist at investment bank Nomura. But nevertheless there seems "little doubt" that second-quarter GDP contraction "will be off the scale", as NatWest's Michelle Girard puts it. There can be no doubt either that the longer the lockdown persists – and with scant sign of the UK developing plausible exit strategies – the debate over whether the lockdown is "worth it" will become louder.

Worth it in what sense?

Baldly: whether the economic damage wreaked by the lockdown is a price worth paying in terms of lives saved. How many bankrupt firms, or how many millions out of work, are acceptable? And if a lockdown fails to halt the pandemic, but merely contains it ready for a second wave, how long should the lockdown continue if it's destroying the economy? It will strike some as uncomfortable, or even offensive, to pose such grim questions at the height of a pandemic. Many of this magazine's readers and contributors have friends or relatives in hospital with Covid-19. The reality, however, is that trade-offs such as these are inevitable and calculating the "value" of a human life saved can be a helpful metric for economists and policymakers.

"Forecasters now predict a contraction in GDP over 2020 of between 7% and 8%"

What metrics do they use?

If we assigned an infinite value to each human life, spending any amount to protect it would make sense – leading quickly to governments going bankrupt. Instead, economists and policymakers use a metric known as the value of a statistical life (VSL) to assess the viability of different options. It is also common to calculate the value of a statistical life year (VSLY) by dividing the VSL by the remaining years of life expectancy for different ages groups being studied (with the effect of assigning a higher "value" to children, compared with the elderly, for example). The Department for Transport will fund a new road junction if it estimates a projected cost of less than £1.3m for each future life saved, for example.

What about healthcare?

Although we generally prefer not to talk about it, similar calculations are normal in healthcare. The NHS, as a centralised tax-funded system that's free at the point of use, can only function on the basis of rationing, since demand is in theory infinite. That rationing sometimes takes the form of queuing and it sometimes takes the form of decision-making based on another key metric, the "quality-adjusted life year" (Qaly) – a metric related to VSLY, but which attempts to take into account the quality of remaining life as well as the quantity. Currently, under guidelines laid down by the National Institute for Health and Care Excellence (a body created, in part, to make these economic choices more explicit than previously), the NHS will fund non-palliative treatment for the seriously ill only if the treatment needed to provide a further year of good-quality life does not exceed £30,000. And in the case of people with potentially terminal illnesses, who could not expect a good quality of life, that £30,000 limit would typically be cut to £15,000 a year.

How do these metrics relate to Covid-19?

Dominic Lawson in The Sunday Times asked an American health economist to do a rough calculation for him. Say the shutdown costs the UK 4% of GDP, whereas no lockdown would have cost about 230,000 extra Covid-19 deaths (a figure based on the Imperial College modelling used by the government). Lawson's economist estimates that the people saved would need to live on average 15 years to meet the Qaly limit of £30,000 to "justify" the $104bn hit to the economy. Or, assuming the life-quality of the unwell over-seventies is half that of a younger, healthier person, they would need to live on average for another 30 years. The questions then arise: are these plausible scenarios and how many of those dying of Covid-19, most of whom have underlying health conditions, would have been expected to die soon anyway.

So what can we conclude?

Obviously the lockdown is not responsible for the whole economic hit: people would have begun to "socially distance" and cut spending of their own accord. But it is at least germane to ask what the best way of "spending" that $104bn (and most likely more) is in order to save most lives. A crashed economy will also have associated health costs, especially if government revenues are so badly affected that the state's ability to provide decent healthcare is compromised. For now, of course, there are too many unknowns on which to make confident assertions. Any prediction is only as good as the assumptions it is based on and more than three months after the novel coronavirus emerged in China, the world's scientists still don't know how many people can infect others without suffering from symptoms themselves. For now we are all in the hands of the epidemiologists, but the longer this goes on the higher the costs and hence the more we can expect to hear about the dismal calculus of the economists.

Six assets that beat all others

The first three months of this year have been good for safe havens – and bad for almost everything else

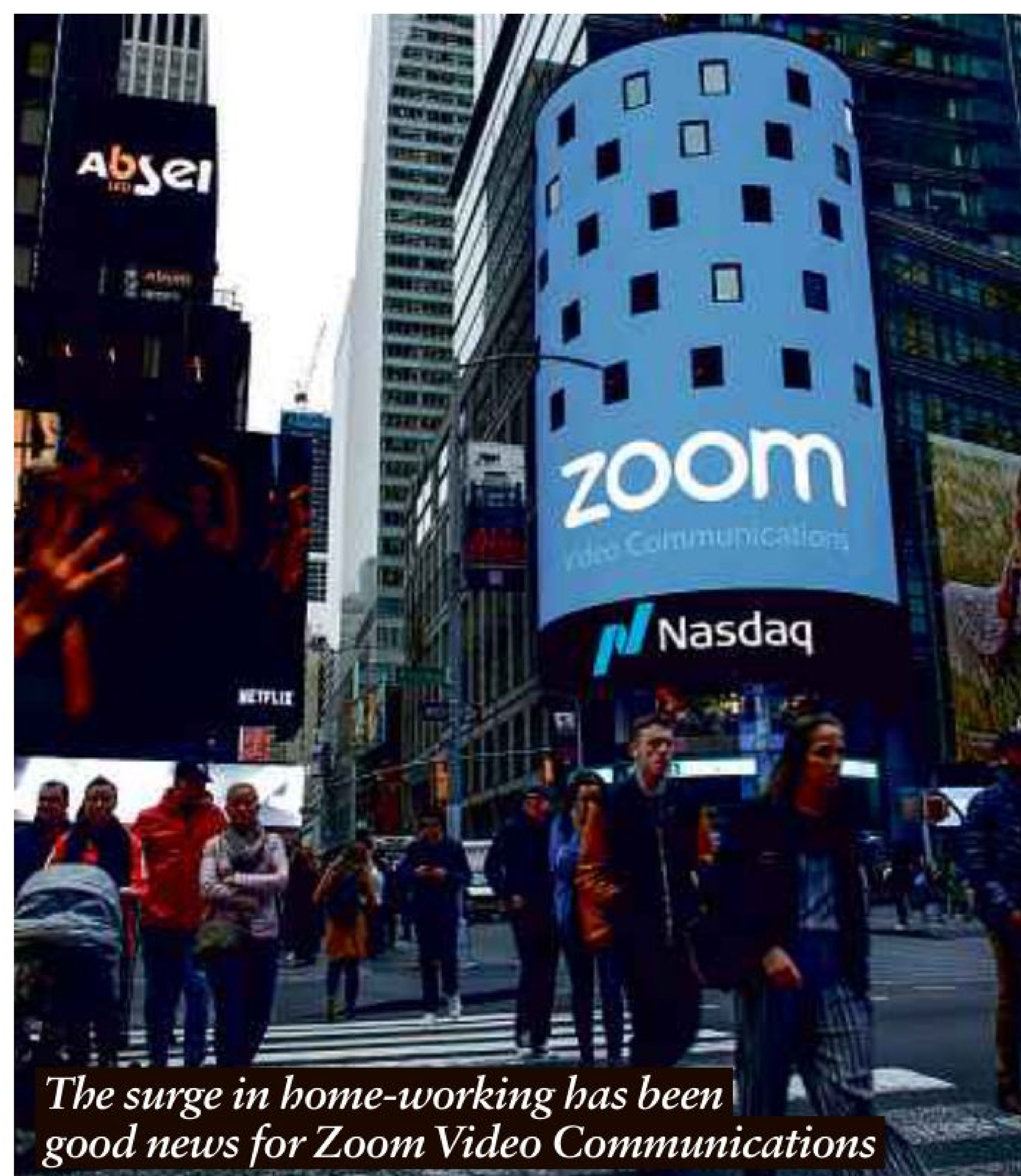
Cris Sholto Heaton
Investment columnist

Making money in the first quarter of this year hasn't been easy. Unless you were fortunate enough to hold one of the few individual stocks that investors hope will profit from the coronavirus crisis – such as Zoom Video Communications (which makes the now-ubiquitous Zoom video-conferencing software and was up by 115% by 31 March) – just a handful of major asset classes would have turned a profit globally. These were US Treasuries and German Bunds (ie, the safest government bonds), gold, US dollars (a safe-haven currency in the eyes of most investors – see the column on the right) and – to a lesser extent – Swiss francs and the Japanese yen (other safe-haven currencies), according to calculations by Bloomberg.

If you were a UK investor, you might have done better than that, because other currencies that were weak versus the safe-haven currencies still strengthened against the pound. That would have increased gains or – more likely – trimmed losses on a wider range of international investments. UK government bonds also rose strongly, in sterling terms at any rate. Nonetheless, the broad picture is that the traditional safe havens did well and everything else crumbled.

The power of diversification

While there isn't much encouragement to be taken from these three months, they have been a reminder that diversifying across the handful of core asset classes (stocks, property, bonds, cash and gold) is still the simplest way to protect your wealth. The power of diversification depends on these investments having distinctively different properties from one another and performing in complementary ways during bull markets and bear markets, and this time they've done what investors would hope. A balanced portfolio of around 60% global stocks and real estate investment trusts and 40% in safe havens (eg, cash, gold, US Treasuries and UK government bonds) would have been down by around 9% by 31 March. That's not much to celebrate, but it's still better than the 20%-25% drop in global stockmarkets.



The surge in home-working has been good news for Zoom Video Communications

©Getty Images

"The weak pound trimmed losses on overseas investments"

■ Last week, I wrote that cuts to UK dividends in this crisis are on course to be far worse than in the global financial crisis. Link Group – which handles dividend payments for many of the UK's largest firms – has just published an estimate of the damage. The best-case scenario is that dividends fall by 29% in 2020; the worst-case estimate is a 53% slump (similar to the falls seen in the Great Depression). Realistically, Link expects a fall of 33%-41%. Food retail, food and drink, tobacco and healthcare still look relatively safe.

I wish I knew what rebalancing was, but I'm too embarrassed to ask

Rebalancing is the process of bringing the amount of each asset in a portfolio back in line with the investor's target weight for that asset. For example, let's assume that you want to have 60% of your investments in shares and 40% in bonds. One year later, bonds have performed very well and stocks have done poorly, so the balance in the portfolio has changed to 50% shares and 50% bonds. You would then rebalance by selling enough bonds and buying enough shares to restore the portfolio to the original 60/40 split.

The purpose of rebalancing is to prevent a portfolio drifting too far away from the level of risk and return that investor hopes to achieve. If you do not rebalance, after a few years your portfolio is likely to have different characteristics from those you intended. Shares have tended to beat bonds over the long run, so without rebalancing you would expect to end up with a portfolio that is heavily invested in them. This might have higher expected long-term returns, but would also be more volatile – which may not be what you want.

A second benefit of rebalancing is that you tend to sell investments that have risen strongly and buy those that have fallen. This can sometimes help improve returns by shifting money from investments that have become relatively more expensive to those that have become cheaper.

There are three main approaches to rebalancing. Time rebalancing means that you rebalance on a fixed schedule (eg, once a year). Threshold rebalancing means you rebalance when the weight of an asset exceeds the target by a fixed amount (eg, five percentage points). Time-and-threshold rebalancing combines both: you rebalance on a fixed schedule, but only rebalance each asset if it is more than the threshold amount away from the target weight. Since rebalancing incurs trading costs, the third approach is likely to be the most efficient for most individual investors.

Guru watch

Jim Rogers, chairman, Rogers Holdings

"I expect in the next couple of years we're going to have the worst bear market in my lifetime," veteran investor Jim Rogers tells Bloomberg. While the rebound in stocks may continue for now, greater problems lie in wait. The economic impact of the coronavirus crisis "will not be over quickly" because "a gigantic amount of debt" has been added onto businesses that have been hurt by lockdowns and travel bans.

The recessionary effects of this will take time to work through, he tells Barron's MarketBrief. "We haven't seen the end of this. I've never seen... a recession that cleans out the economy in 90 days." That's why Rogers "owns a lot of US dollars", even though he thinks the greenback is a "terribly flawed" currency. "The US dollar is not a safe haven, we're the largest debtor nation in the history of the world. But people think it's a safe haven... it's going to go up during all of this turmoil." He's been buying gold and silver since last summer and is bullish on sugar, which is down 75%-80% from its all-time highs. "We're not going to stop using sugar."

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Rogers holds some Chinese and Russian stocks and is considering investing in Japan, he tells Bloomberg. He is also waiting to invest in sectors such as tourism and transport (including airlines), which have been severely hit, when the recovery starts. "The Chinese economy is opening again, people are going back to work," he says. "Factories, restaurants are opening again. Life is not such that we are all going to take the bus and take boats again."

©Getty Images

Don't retreat into a nationalist bunker

Globalisation helped us prosper before the crisis – it will help us get out of it too

Matthew Lynn
City columnist

Over the last week, even as tentative signs emerged that the first wave of the virus may have peaked, the economic backlash seems to have only just started. The Italian government has said it is planning new powers to stop foreign takeovers, including potentially from other companies within the EU. France's President Macron (pictured) has announced plans to make sure medical equipment such as masks and ventilators are produced in his own country, with food quickly added to the list as well. Spain's prime minister, Pedro Sánchez, has promised measures "to block foreign companies from taking control of strategic Spanish companies by taking advantage of the share price collapse". Germany's economy minister, Peter Altmaier, has demanded that vital industries be protected even as the economy starts to collapse.

Understandable, but wrong

It would be no surprise to see similar demands from the US. There are already reports of the US muscling in on supplies of masks, and trying to buy up potential vaccines. President Trump was fighting trade wars before anyone had ever heard of Covid-19 and it is only likely to encourage him. As Britain leaves its transitional deal with the EU at the end of the year – assuming the timetable isn't derailed – it will be hard to resist the calls for tariffs and quotas as we take back control of trade policy. Across the world, the coronavirus crisis is leading to an upsurge in economic nationalism and protectionism.

This is understandable. There is a sudden shortage of medical equipment and governments want to ensure supply.

Not all protectionist measures help

©Getty Images

And there may be a lurking suspicion that a highly integrated, globalised economy accelerated transmission of the virus from country to country. With a few more barriers, maybe Covid-19 would have stayed in Wuhan at least until we had better treatments available. But a retreat into protectionism would still be a huge mistake. Here's why.

First, it doesn't matter where stuff is made. It is unlikely anyone being rushed into A&E will worry about where their ventilator comes from. We need adequate sources of supply that can be ramped up when needed, but where it comes from is irrelevant. It might as well be made wherever the lowest-cost, most-efficient manufacturer is located, and in most cases that is going to be in China, southeast Asia or eastern Europe. That way we can preserve resources for more important things such as more doctors and nurses, or emergency hospitals, all of which are far more important.

We'll need foreign capital

Next, we will need capital to rebuild once the epidemic has been brought under control. It is going to take a huge effort to restore shattered economies. Lots of companies are going to be effectively bankrupted and are going to have to raise fresh capital to survive. Unemployment is going to soar. Lots of jobs have been preserved by government support, but once that gets withdrawn employers are inevitably going to lay people off. Start-ups will have to be relaunched, and businesses will need to reinvent themselves as they come out of hibernation. All that is going to involve a lot of risk capital, and that will mean allowing money to move across borders and protecting the rights of investors. Countries putting up barriers to foreign money will quickly find it hard to raise any at all.

Finally, we will need global co-operation to defeat pandemics. With any luck we won't see a virus as deadly, or as easily spread, as Covid-19 for another century. But we can hardly count on that. Just as the crash of 2008 taught us to be more nervous of banks, so this crisis will teach us to prepare better for epidemics. That will mean scientists and drugs companies will need to work together to create treatments and vaccines ahead of time and work on finding solutions that can be put in place far more quickly. Putting barriers between businesses and countries won't help that.

Who's getting what

- GVC boss **Kenny Alexander** is to receive his full £860,000 salary, even while the firm furloughs 15,000 staff, says the Daily Mail. Bonuses worth £3.8m have been "postponed", however, and his pay for 2020 is to be reviewed. The company, which owns bookmakers Ladbrokes Coral, said it was saving £20m a month as a result of the government's wage subsidies and business rates holiday. Alexander's pay sparked criticism in some quarters. "For some people, we're not all in it together," said Peter Kyle, a Labour MP and member of the business committee.
- **Peter Harrison**, the chief executive of Schroders, Britain's second-biggest listed asset manager, took his £5.7m bonus for 2019, according to the annual report, as the "unprecedented" coronavirus situation had yet to deteriorate when the bonuses were paid out. "We will consider 2020 performance pay outcomes in due course later in the year," the company said. Meanwhile, it warned in a letter that executives in British firms must "share the pain", adding that chief executive remuneration should be reviewed, says the Financial Times.
- Soap-maker PZ Cussons has stripped its former boss, **Alex Kanellis**, of almost £3m following an investigation by a law firm into allegations made by a whistleblower that Kannellis had withdrawn cash from the company. He was edged out by the board in December. A £645,406 payment in lieu of basic salary and contractual benefits for 2020 has been revoked; £100,357 in compensation for loss of office and £210,000 in deferred shares are also being clawed back. He will also miss out on shares worth almost £2m that were due if targets were hit.

Nice work if you can get it

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The Premier League's persecuted footballers have found a defender in Wayne Rooney (pictured). "The whole profession has been put on the spot with a demand for 30% pay cuts," says the Derby County captain in The Sunday Times. "Why are footballers suddenly the scapegoats?... I'm in a place where I could give something up. Not every footballer is in the same position." One teammate, for example, lives with his mum on a council estate: "30% of £2,000-a-week would lose him £600 – and that could be what his family needs to live on," says Rooney. "Remember, players' careers are short so they have to make investments or have savings, with most facing retirement at 35, but – unlike a previous generation – [they are] unable to draw a pension until much later."

Smithson: buy now or never

When Fundsmith launched this trust in 2018, scepticism was rife. But it has been a big success

Max King
Investment columnist

When markets are down, it's a good idea to snap up the shares that seemed too expensive when markets were riding high and will, assuming that their prospects remain undiminished, go on to be unaffordable again. On that reckoning, **Smithson Investment Trust (LSE: SSON)** is a buy.

At its flotation in autumn 2018 it seemed sensible to be cautious. Smithson raised a record £822m, yet popular flotations often presage trouble. Terry Smith, Fundsmith's founder, had recruited a duo from Goldman Sachs, Simon Barnard and Will Morgan, to run Smithson, which was pitched as "son of Fundsmith".

But Goldman Sachs is better known for making money for itself than for clients. Fundsmith's first investment trust, investing in emerging markets, had been a disappointment.

Fever-Tree's British business is maturing, but growth elsewhere should remain strong

©Getty Images

An impressive start...

Nonetheless, in the period from flotation to the end of 2019 it returned 25.5% against the benchmark index's 11.8%, while the shares continued to trade at a premium to net asset value (NAV). The benchmark MSCI small and mid-cap index reflects Smithson's mandate of investing in a concentrated portfolio of 25-40 high quality small and mid-cap companies around the world, with market values between £500m and £15bn. This quality is mirrored in portfolio characteristics similar to the Fundsmith Equity Fund: the return on capital is 28%, compared with 11% for the MSCI small and mid-cap index.

The operating profit margin of 32% is four times higher than the index's, while cash generation is higher and debt lower. As at Fundsmith, the strategy is "buy good companies, don't overpay, do nothing". The portfolio had just 29 holdings at the end of 2019, heavily weighted towards information technology (40%), industrials (21%) and healthcare (16%), but just 3% in financials and zero in energy. Around 45% of the portfolio is listed in the US, a surprisingly high 24% in the UK, 20% in Europe and 8% in Australasia. As with Warren Buffett, "our ideal holding period is forever", though there was "voluntary turnover" – ie, not the result of a takeover, of 6% last year.

Notable among these was last year's biggest loser, CDK Global. The reasons Barnard gives for the sale of this provider of software for car dealers was "firstly a new chief executive who changed strategy adversely, secondly that the core business wasn't quite as good as we had previously thought".

This is as close as a Goldman Sachs alumnus ever gets to admitting a mistake. Other poor performers, including Chr. Hansen (food ingredients) and Fever-Tree (soft drinks) are still held. Barnard believes that while Fever-Tree's UK business is mature, strong growth will continue elsewhere.

... and a promising outlook

The winners far outweigh the losers. Ansys, a leading company in the field of engineering simulation software, rose 80% last year. Halma, a provider of safety and healthcare equipment, is "a very rare breed in the corporate world: a good acquirer".

Fisher & Paykel Healthcare designs and manufactures equipment for respiratory and acute care and has seen a surge in demand, while Ambu has seen demand for its disposable endoscopes rise 70% year-on-year.

These and the other companies in the portfolio are growth businesses and appropriately priced; "reassuringly expensive", as an advertising slogan once quipped.

In the first quarter, the net asset value dropped by 9%, much less than the 28% fall in the MSCI index. The share price fell by 11%. There are days when the shares trade at a small discount to NAV. This is as good as it gets; if you don't buy now, you never will.

Activist watch

The market chaos has silenced most activist investors. But the spat between US real-estate investment trust (Reit) Mack-Cali Realty and activist investor Bow Street, a hedge fund, intensified this week, says Carleton English in Barron's. Mack-Cali says it doesn't plan to renominate four directors originally nominated by Bow Street to its board at a meeting due in June. The four have apparently "sought to advance Bow Street's self-interested agenda... [which includes] a "fire sale" of properties. Bow Street, which has called for Mack-Cali's CEO to go, says the Reit shows a "blatant disregard for... basic corporate governance". The Reit focuses on offices, one of the worst-hit sub-sectors of the market, so you'd think the fight could wait.

Short positions... global investors head for China

■ **Investors appear to be fleeing the US amid concern over its handling of the coronavirus pandemic and tentatively moving money back into China, says Ali Hussain in The Times. Around £2.6bn was added to Chinese equity funds in the middle two weeks of last month, while funds focused on US companies shrank by £24.5bn in the same period. UK funds saw outflows of £693m. The figures from EPFR Global suggest a "growing divergence" in investors' sentiment according to how individual countries are dealing with Covid-19. While China is embarking on a slow return to normality, America and Britain have been struggling to provide testing and infection rates are rising. Meanwhile, British investment platforms have reported a rise in new account openings as investors swoop on cheap shares in a tumbling global market. The Share Centre reported a 269% increase in brokerage account openings from 9 to 30 March, compared with the same period last year.**

■ BlackRock, Schroders and Royal London Asset Management have gated property funds just two weeks after Covid-19 woes prompted several rivals to do the same, say Robin Amos and Loukia Gyftopoulou in CityWire. The £3.4bn BlackRock UK Property and the £2.3bn Schroder UK Real Estate funds were suspended late last week owing to "material uncertainty": unusually volatile markets reacting to the Covid-19 pandemic make it impossible for independent valuers to value property holdings accurately. The same problem forced competing open-ended UK property funds to shut in March, including the £1.2bn Aberdeen, the £2bn Janus Henderson and the £2.9bn L&G funds. The total amount of clients' assets now trapped in brick-and-mortar funds exceeds £20bn.

Bring the supply chain home

Philip Aldrick
The Times

Buying a few extra toilet rolls in a crisis makes sense, says Philip Aldrick. And what is rational for households is equally rational for the government. In a "move that now looks like a masterstroke", drugs and equipment were stockpiled and £4bn set aside to cope with a no-deal Brexit. Outside of a crisis, though, stockpiling is "anathema to our modern economic nature". Improving living standards depend upon improved efficiency. Just-in-time supply chains provide that. Remarkable as these are – Honda runs its Swindon plant on one hour's worth of parts – they are also fragile. Two years ago, the health service's supply system was overhauled to save £2.4bn over five years. That was a good plan to cut waste. But the result was an NHS that relied upon global supply chains and squeezed inventories. When demand for kit climbed as a result of coronavirus, the system broke and the government turned instead to local providers. The NHS supply chain is now fragmented and inefficient, but it is delivering. When the current crisis passes, global supply chains will "reassert themselves". But we would be wise to learn the lessons of this crisis and balance cost effectiveness against risk. We should "bring at least some of the supply chain home".

You can't nationalise kindness

Dominic Lawson
The Sunday Times

Jeremy Corbyn has claimed that the current crisis vindicates his socialist views. Nonsense, says Dominic Lawson. Corbyn proposed nationalising everything. Instead, our chancellor has vowed to protect private investments. And in the economic sphere, the government has "actually been deregulating". To keep the economy ticking over, rules about the number of hours delivery drivers can work have been relaxed, pubs and restaurants have been allowed to transform into takeaways, and in the NHS, what would once have been held up by miles of red tape has been given the "greenest of green lights". It should go further. One of the reasons for Public Health England's "excruciating slowness" getting coronavirus testing up to speed is its reluctance to allow the private sector to step in and help. This contrasts with Germany's more decentralised medical system, which has made ours a "matter of national embarrassment". To criticise organisational structures in this way is not to take anything away from the doctors and nurses who work within them – they deserve their applause. In the end, our ability to get through this crisis will depend not on government control, but on "individual acts of kindness". They can't be nationalised.

The enduring appeal of socialism

Christian Ortner
Die Presse

It's bizarre, says Christian Ortner. Capitalism is the most effective means of spreading material wealth and reducing poverty humanity has come up with. But it's rarely been more unpopular. A survey earlier this year covering 26 countries found that 56% of respondents thought that it is currently doing more harm than good. Yet in the meantime, socialism, despite having killed and immiserated millions over the past century, is "spreading like the coronavirus": witness the recent drivel about wealth taxes and increasingly statist economic proposals on both sides of the Atlantic. It hardly helps that schools and universities are leftist while the young have no experience of socialist dictatorships. But shrewd PR is also a factor. People appear programmed to respond warmly to classic socialist buzzwords such as solidarity, equality and justice, while socialists have also managed to portray capitalism and competition as rapacious and merciless: competition and free markets, no matter how efficient and conducive to creating wealth, will never sound as cute and cuddly. So we are left with one beautifully packaged product that bankrupts every country that has ever tried it – and one genuinely fantastic one that is hard to sell.

This is not the end for the office

Editorial
Financial Times

As more of us work from home due to the coronavirus crisis, some "tech evangelists" have predicted the demise of the office, says the FT. In an era of video calling, team instant messaging and shared documents, there is no need for them, they say. And there are obvious benefits to remote working: it allows companies to cut costs and hassle, and workers to "celebrate the end of commuting and the pungent desktop lunches of distracting colleagues". Yet the surging demand for "co-working" spaces in recent years and the ubiquity of workers in coffee shops shows that we shouldn't be too quick to quit the office entirely. Video calls and messages lack the human touch and physical proximity is important for generating a sense of community. Moving entirely online risks "inadvertently cutting off one avenue of innovation: surreptitious meetings and conversations" around the water cooler. The irony is that the tech utopians have taken a very different course themselves. The "campuses" of Silicon Valley are an example of how to make the office appealing, with perks such as good coffee, free food and gyms. "Making offices into spaces where employees want to be is not frivolous, but an increasingly important part of corporate culture."

Money talks

"If anything kills ten million people, it is more likely to be a virus than a war. We have invested huge amounts in nuclear deterrents, but we have actually invested very little in a system to stop an epidemic. If we start now, we can be ready for the next pandemic."
Former Microsoft CEO and philanthropist Bill Gates (pictured) speaking in 2015, quoted in The Sunday Telegraph

"Given the sacrifices that many people are making, including some of my colleagues in the NHS who have made the ultimate sacrifice... I think the first thing that Premier League footballers can do is make a contribution, take a pay cut and play their part."
Health secretary Matt Hancock takes aim at overpaid footballers, quoted in The Observer

"My new contract was worth £15,000, which was unbelievable because you could buy a house for £7,000 or less. We lived in a council flat and I remember thinking I could buy a house for mum and dad, which was an incredible feeling."
Irish Eurovision star Dana on winning the song contest in 1970, quoted in The Sunday Telegraph

"We went to bed as America and woke up next morning looking like Europe."
Finance professor Erik Gordon on America's $2trn bailout package, quoted in The Sunday Times

"The ease with which seemingly solid businesses have come close to collapse in a matter of days is a vicious reminder that projections of future earnings are merely well-informed guesses."
Entrepreneur Luke Johnson, quoted in The Sunday Times

"I did *Celebrity Big Brother* and got paid a lot... for it... It was definitely worth it because I got a lovely new kitchen out of it."
Television presenter Coleen Nolan, quoted in The Sunday Times

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Give everyone a debt holiday

The banks were bailed out last time. Now we must bail out the people

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unherd.com

The government's pledge of support for household incomes is welcome, says Phillip Blond. "But that can't be the end of it." Outgoings are also of concern, not the least of which are debt repayments. Debt weighs most heavily on the poor, both in terms of borrowing costs, type of debt and as a proportion of income. The government should learn from the mistakes of the 2008 financial crisis and make sure it is not just the wealthy who benefit from bailouts.

A burden on the poorest

The poorest quarter of the population are far more exposed to consumer debt than anyone else, according to the Resolution Foundation – the median level of consumer debt constituted 17% of their pre-tax income, compared with only 4% for those in the richest fifth of the population. Households are also struggling with other debts. If you miss a single payment of council tax, for example, then the whole yearly sum can become due. In 2018, the charity Citizens Advice found that 2.2 million households in England and Wales were behind on their council tax. The number of callers to the National Debt Line with council tax arrears hit 30% last year, up from 15% in 2008.

Mortgage and rent payments and debt to energy and car companies add to the burden. It would not take much for the poorest among us to "go to the wall" and this current emergency is "anything but small". Claims for universal credit are already soaring.

To support the household finances of those "struggling to get by in this testing time", we need a debt moratorium. The financial regulator has just taken steps to help by ordering banks to offer interest-free overdrafts of up to £500 and payment holidays on credit and store cards and loans. The new measures, if approved following a short consultation, were due to go into effect shortly after MoneyWeek went to press.

Such measures are welcome, but could go further. Payment holidays on car loans, utility bills and on rent, for example, would make sense, and credit ratings need to be protected. The state should forgive late payments of council and other taxes and loosen terms on the debts owed to it.

It is the "moral and financial responsibility of the government to prevent this turning into a widespread personal debt crisis and one that especially impacts the poor". A widespread bankruptcy crisis would hurt creditors as much as debtors and "suppress the value of assets for years to come". In 2008, the finance industry was saved by bailouts. "It is now time for the institutions concerned to play their part in saving the people."

The great bog roll mystery solved

marker.medium.com/@WillOremus

We all know who's to blame for the great toilet-roll shortage, says Will Oremus: irrational hoarders and greedy panic buyers. Or are they? Actually, we don't need to assume that most consumers are greedy or irrational to understand why shelves are emptying. It's all to do with supply chains. The toilet-paper industry is split into two, largely separate, markets: commercial and consumer. Consumers are not making more trips to the bathroom, but are doing so more often at home than elsewhere due to lockdowns. That means the average household will use 40% more toilet paper than usual if all its members are staying at home. "That's a huge leap in demand for a product whose supply chain is predicated on the assumption that demand is essentially constant." So if you're wondering where all the toilet roll went, mystery solved – it's at the office. Couldn't industrial processes and supply chains change to solve the problem? Perhaps, but then we'll "face the same problem in reverse once people head back to work again". Knowing this, we can at least stop looking down on the "idiocy" of our fellow shoppers. Even a "modest, reasonable amount of stocking up" by millions of people in preparation for staying at home would be enough to deplete many store shelves of everyday items.

Make this your year of wonders

fee.org

In 1665, "social distancing" orders emptied university campuses throughout England as the bubonic plague "raged", killing 100,000 people, roughly a quarter of London's population, says Kerry McDonald. One of those forced to flee to isolation in his childhood home was a 24-year-old student at Trinity College, Cambridge – Isaac Newton.

Far from despairing, Newton made the most of his time and the year became the most intellectually fruitful of his life – a "year of wonders". Unburdened by the constraints of university life, Newton "thrived". He built bookshelves and created a small office for himself, then filled notebooks with ideas and calculations. During this time he discovered differential and integral calculus, formulated a theory of universal gravitation and explored optics. He became the world's top mathematician.

We should follow Newton's example and use this time of social isolation and disruption well. "This could be the time when you formulate your greatest ideas and do your best work. This could be your year of wonders."

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Isolated socialists dare to dream

aei.org

Socialists are demanding that we nationalise everything in response to the coronavirus, says James Pethokoukis. That's little surprise. They demand such things all the time. But it makes little sense. While the US government bungles its response, private business has stepped up. Carmakers are helping make ventilators. Clothing retailers are making protective gear for health workers. Drinks makers are producing hand sanitiser.

As for Amazon, it has transformed itself from a "wonderful convenience to a critical lifeline for millions of customers needing everything from groceries to thermometers to coffee makers". And despite being swamped with orders, "its amazing distribution network continues to function. Impressive stuff".

Still, let's not take the calls to nationalise Amazon too seriously. It "isn't a real policy idea that might ever happen, but rather absurdist policy theatre meant to entertain other socialists. I believe they need some entertainment while stuck inside all spring".

18+

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AVAXHOME -

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Covid-19 will end the post-1945 era of globalisation

The coronavirus is accelerating the ongoing shift towards protectionism and autarky, says Edward Chancellor

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World War I brought Victorian free trade to a shuddering halt

Past cycles of globalisation have been vulnerable to sudden shocks. World War I brought the Victorian free-trade era to a shuddering halt. The 1929 crash led to beggar-thy-neighbour tariffs. The financial crisis in 2008 damaged faith in globalisation. The Covid-19 pandemic could well prove a harder blow.

Protectionist pressures tend to increase when growth weakens. In 2015 restrictions affected a greater share of world trade than in the 1930s, according to Global Trade Alert, and world trade volumes started to decline. Since the advent of President Donald Trump in 2017, thousands of new trade distortions have been introduced.

The US-China tariff war accounts for less than a quarter of recent anti-trade measures, estimates Simon Evenett, professor of International Trade and Economic Development at Switzerland's University of St. Gallen. Still, Trump's preference for conducting policy on Twitter took a toll. Last October, the International Monetary Fund warned that jitters over trade policy were dampening global growth prospects. It was at this critical juncture that Covid-19 emerged.

The pandemic has exposed the fragility of cross-border supply chains. Producers have used cheap dollar funding for trade credit to lengthen their supply chains, often incorporating several countries. These chains are cost-efficient but vulnerable. When Beijing tried to halt the spread of the epidemic in January, many Chinese factories were shut.

Apple had problems sourcing parts for its iPhones. It soon became clear that many Western firms lacked an adequate understanding of their supply chains. Global trade links suddenly appeared as complex, interconnected and vulnerable to shocks as the financial world when the subprime crisis emerged.

Sicken-thy-neighbour

Covid-19's threat to world trade took a more insidious turn last month. In January, Beijing stopped the export of certain medical supplies, such as face masks, including those produced by foreign manufacturers. As the virus spread across Europe, export restrictions proliferated. Since 1 January more than 50 governments have imposed exports curbs on medical supplies. Germany stopped the export of 240,000 masks to Switzerland. France prevented Valmy from fulfilling its contract with Britain's health service to supply millions of masks.

India, a major producer of generic medicines, imposed a range of export restrictions on medical supplies and drugs, including fever-reducer paracetamol. The European Union, which produces half the world's ventilators, restricted their export. Beggar-thy-neighbour trade policies have become sicken-thy-neighbour, says St. Gallen's Evenett.

Panicked reactions to the pandemic bring short-term relief at lasting cost. Companies may be reluctant to invest for export markets if those markets are shut off at whim. Export bans also foster bitterness between trading partners. Deprived of medical supplies from Germany, Italy and Serbia turned to China for relief. Medical export restrictions succour nationalists who argue in favour of self-sufficiency in manufacturing. White House trade adviser Peter Navarro says US dependence on China for key medical supplies and drugs is a "wake-up call".

"France prevented Valmy from fulfilling its contract with the NHS to supply millions of masks"

What might the world look like when the pandemic passes? For a start, supply chains are likely to become shorter and more robust. Cross-border manufacturing will take on a geopolitical aspect as managers question whether production is located in trusted countries. Moves to repatriate manufacturing, especially in healthcare, will receive fresh impetus. The age of multinational oligopolies is ending. Takeover authorities will pay less attention to consumer prices when considering mergers and more to issues such as competition and security. If China becomes the scapegoat for the pandemic, as is likely, it can no longer serve as the workshop of the world.

Some of the macroeconomic consequences that follow a turn in the globalisation cycle are foreseeable. The disinflationary forces unleashed by the era of free trade will come to an end. When trading links frayed at the close of the 19th century, the great Victorian bond bull market came to an end. The current bond bull market, nearly four decades old, will be replaced by a multiyear bear market. As interest rates rise, a higher discount rate will be applied to stocks and houses, both of which will trade in future at lower valuations. Manufacturers will no longer be able to outsource manufacturing to the cheapest geographies, so costs will rise. Profits will decline and labour's share of national income will rise.

The geopolitical consequences of an end to globalisation are more fraught. As the history of the 1930s shows, the struggle for raw materials in a multipolar world can become a *casus belli*. For years, Beijing has been pursuing a 1930s-style autarky, tying up supplies of commodities from various countries, such as Venezuela, with loans from the China Development Bank. More recently, Beijing's Belt and Road Initiative has increased its number of client states. At the same time, the People's Republic has reduced the share of foreign components in domestic manufacturing. China may unwittingly have provided the catalyst for this crisis, but if globalisation fails it will enjoy a head start.

A version of this article was first published on Breakingviews. Edward Chancellor is a financial historian, journalist and investment strategist.

After the storm: how to find top stocks amid the ruins

Investors are caught in a topsy-turvy world, says Jonathan Compton. He surveys the scene, assesses the outlook and suggests where – and how – you should look for healthy returns

The world has gone mad. Unless restrictions are lifted immediately the global airline industry is facing bankruptcy within months at most. So too are many major companies in other sectors. The global cruise industry is now notorious for imprisoning its passengers on "plague ships". Cinema chains worldwide have been forced to close. Hotel chains are suffering in a similar fashion as leisure travel collapses.

These bankruptcies may be just the first dominoes in a long row. Keep an eye out for construction groups, carmakers and nail bars after that. It is not out of sympathy for the three million-plus employees already furloughed that the UK and other governments have rapidly shaken every old and new money tree they could find, but out of necessity. If these businesses were to close for good, their bad debts would sink other businesses and every financial institution.

Through the looking glass

Unprecedented state and central-bank interference means we now have false prices across all equity markets, where a mere month ago price manipulation could result in an unlimited fine. Even more topsy-turvy, we also have non-disclosure of key facts introduced by the regulators, forbidding companies from reporting preliminary results "to prevent investors acting on out-of-date information". What more information the shareholders of struggling leisure industry operators require is hard to fathom. Concurrently the Bank of England advised – ie, ordered – banks not to pay dividends; the Treasury has leaned heavily on other companies to do the same.

Events have moved so rapidly that one debate likely to terrify investors has hardly commenced: whether to close stockmarkets until the worst of the pandemic has passed. There are both good reasons for, and serious problems with, so doing. I would currently give it a one-in-five chance, higher if further large falls ensue. Even Sleeping Beauty would have noticed that the last quarter has been hideous. Using FTSE Global Equity Index Series data to the end of March, the falls have been stupendous. In local currency terms and on a total return basis (ie, capital plus dividends), a UK investor has lost 24%; the figure for France and Germany is about the same. It is little solace that leading emerging markets were worse, down 25%, or that America fell by just 20%.

Traumatised investors miss the bottom

Small wonder then that legions of investors have been selling in droves. More will follow on each bounce, many swearing never again to invest in stockmarkets. And as in the crashes of 2008, 2001 and earlier, they will spend many years waiting for the final fall to reinvest even as markets recover. The adage "panic now before the rush" has again proved correct, but I think the time for indiscriminate dumping has passed.

"I think the time for panic-stricken dumping of stocks has passed"

I can empathise with the fleeing masses. Parts of my portfolios have been shredded. Many positions have suffered through well-documented psychological mistakes investors make: loss-aversion, denial, unjustified optimism and rabbit-in-the-headlights syndrome. The positive decisions of last year – no energy, natural resources or retail plays; little emerging-market or consumer exposure – have softened the blow even as my brain remained in the freezer. Why did I keep holding Saga, with its new investment in cruise ships, or Costain with its wafer-thin margins and debt?

Where to start looking now

Lesson hopefully learned, again. So where next? There are some flickering signs of interesting opportunities, especially in UK and European mid-caps, companies with a value between $2bn and $10bn. Recent legal changes such as the EU's regulation of investment services (Mifid II) have inadvertently weakened research coverage of these companies, making it easier for sharp-eyed investors willing to do some digging to find some promising prospects. And as it seems probable that governments and businesses will want more goods and services to be made locally, having suffered the risks inherent in long supply chains and "just-in-time" practices (low stocks, margins and cash buffers), medium-sized companies in or near the UK should benefit the most.

The simplest and best route for most investors is undoubtedly through funds, particularly because the investment landscape will change significantly after the pandemic. Such changes require constant attention, which in turn necessitates a decent professional fund manager. Many de-facto bankrupt companies will be bailed out by the government, but it remains a gamble to identify which ones with certainty. For instance, the mood music supporting the little Scottish regional carrier Loganair is politically stronger and even potentially more important in terms of local transport than that surrounding giants such as Virgin (see page 7), whose proprietors/key shareholders have irritated Westminster with their greed and tax plans. Like many industries, the airline business had serious overcapacity and is on the "most wanted" posters of the growing green/environmental, social and governance (ESG) lobbies. Many will fail.

Don't "do a Woodford"

Open-ended funds (unit trusts and open-ended investment companies, or Oeics) have performed worse than the market and I think will continue to suffer. Forced sellers as investors made a dash-for-cash, they had to cut their most liquid and often best positions, leaving their portfolios badly skewed and less liquid; on any recovery, funds tend to flow in fast, which dilutes the gains for existing holders. Open-ended funds investing in venture capital, private equity or property remain even more dangerous than usual. Often holding illiquid investments that are impossible to value, they tend to close for redemptions in downturns while many of their underlying holdings will be making large cash calls to survive. These vehicles run the risk of "doing a Woodford".

Many investors have switched into money market funds, in theory safe, enhanced deposits. Yet in the 2008 meltdown many such funds were unable to keep

©Getty Images

There are 441 distilleries in Britain following a 22% rise in 2019

their promises. Standard Life was particularly brazen, either refusing redemptions or paying out below the "guaranteed" rate. US money market funds have been wobbling. Avoid absolute-return funds too. This should have been their year given promises to protect investors' assets in a downturn, usually for a chunky fee. Yet performance has tended to be sub-index on the way up and down. The upshot? The best way to invest is via actively managed investment trusts (see page 21).

What to avoid

For those like me who still enjoy stock picking, it is crucial to remain disciplined and avoid three types of company. Firstly, beware of apparent winners. The supermarkets have managed their supply lines and operations superbly to keep the country in food and other necessities. Their share-price performance has reflected this. Post-Covid-19 demand is likely to slump as hoarding is unwound and household budgets are inevitably squeezed as a result of the lockdown and layoffs. Other companies thriving amid the pandemic, such as Renishaw (possible maker of ventilators), Ocado (distribution), or Avon Rubber (respiratory products) also seem fully priced.

Then there are the zombies, companies that have been kept afloat by ultra-low interest rates and monetary expansion, making a return on capital lower than its cost. While fiscal expansion will remain in place for some time, banks and governments have too many businesses to support and will pull the plug on the worst, especially as now is the best time quietly to take the loss and blame genuinely unusual circumstances. Moreover, governments and banks lack the expertise or personnel to focus on every small company. There are 441 distilleries (up 22% last year alone) and 30,000 nail bars, for instance. So the authorities must focus on larger or key businesses, which with bridging finance should survive and recover. The exemplar in this context is the bailout of Rolls-Royce in 1971; it eventually became a global leader in its field. Even the expensive and ultimately futile British Leyland rescue (1975-1985) provided breathing space for better-managed foreign companies to reform and restore the UK vehicle industry and to keep myriad components suppliers afloat.

"The British Leyland rescue allowed foreign firms to restore the UK car industry"

Some stocks won't recover strongly

The third rule is never to assume that a stock will recover to previous levels. Remember, after a share price has halved the downside risk remains unchanged at 100%. Moreover, the recovery potential for many businesses has been curtailed. World GDP growth after a bounceback will be muted, household incomes weaker and soon, taxes higher. It is therefore difficult to see luxury goods or high-value brands such as LVMH, Burberry or Aston Martin enjoying a strong recovery, especially with weaker demand from China. Nor can I see people queuing up for cruise ships even after they have slashed prices, or frequenting holiday resorts as densely as before. The car and steel industries were suffering severe overcapacity before the pandemic; weaker demand will now hurt both.

Then there is the structure of the service sector. We are in the midst of the greatest homeworking

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exercise ever. There are clear benefits for the employee – no commuting and other costs – while for the employer, technology allows close staff monitoring with the enticing prospect of permanently slashing expensive office costs. Commercial property is in trouble.

Stocks on my list

What I'm looking for are firms with little debt or no near-term repayments, historic strong free cash flow and products or services that will remain in demand in a less wealthy world. A solid earnings record also inspires confidence. Apart from changing work patterns, other trends are already clear, such as the proven value of warehousing, automation, software and "necessities". (Asterisks denote companies I already own.)

For warehouses **Segro*** (**LSE: SGRO**) is an easy choice with good sites and well-funded tenants. Employers have rediscovered the importance of payroll and online accounting systems. Enter **Sage Group*** (**LSE: SGE**), now seeking to become a wider software services firm. The government will need even more outsourcing and while the sector teems with nincompoops, **Serco*** (**LSE: SRP**) had already turned around and has a financial discipline competitors lack.

We don't yet know how shopping habits may change, but the fillip to online businesses will endure. One-time market star and online fashion retailer **ASOS** (**Aim: ASC**) peaked at £7,400 in 2018 and at £1,090 now the price assumes no growth, ever. More nimble **Boohoo Group** (**Aim: BOO**) lost a third of its value in a month. Its model is sound. **Germany's Zalando SE*** (**Frankfurt: ZAL**) is a candidate to outperform both.

An online spin-off is packaging manufacturers. **Bunzl** (**LSE: BNZL**) rides out every storm. Meanwhile, the price-comparison website **Moneysupermarket.com** (**LSE: MONY**) should attract more customers hunting for savings. In education **Pearson** (**LSE: PSON**) has consistently bungled the move online, but finally has a workable offering. Beverages are a low-growth business, but valuations seem too low for niche players such as **A. G. Barr** (**LSE: BAG**), which makes Irn-Bru, and **Britvic*** (**LSE: BVIC**). In Europe Finland's **Olvi Oyj** (**Helsinki: OLVAS**), the country's biggest drinks group, is a strong multi-product leader and in Italy

Luxury brands such as Burberry won't recover strongly

©Getty Images

Davide Campari Milano SpA* (**Milan: CPR**) with its eponymous brand (and other alcoholic products) has lost 40% of its value. It is a clear recovery play.

Waste will still need collecting and **Biffa** (**LSE: BIFF**) is the pick of the bunch. Will the utilities/ internet/telecoms sectors need more cabling? Italy's **Prysmian SpA** (**Milan: PRY**), a global player, looks a likely winner here. Free-to-view television companies are considered history by many analysts, but I believe the model has legs. **ITV*** (**LSE: ITV**) and Germany's **ProProsiebenSat 1 Media SE** (**Frankfurt: PSM**) have been hammered even as more viewers tune in.

An old saw is that after a nuclear winter only cockroaches and insurance salesman will survive. Neither **RSA Insurance Group** (**LSE: RSA**) nor **Direct Line*** (**LSE: DLG**) should suffer many pandemic claims. Good value has re-appeared in **Tate & Lyle** (**LSE: TATE**), which makes sugar and sweeteners, **Babcock*** (**LSE: BAB**), a defence group, and complex engineering specialist **Johnson Matthey*** (**LSE: JMAT**).

I'll be drip-feeding spare pennies over the coming months into those above I don't own and plan to top up the others. Grim and nasty though the pandemic may be, as Niccolò Machiavelli said: "Never waste the opportunity offered by a good crisis".

"Only cockroaches and insurance salesmen survive a nuclear winter"

The investment trusts to buy now

MoneyWeek has long been a cheerleader for investment trusts over other collective vehicles. I am on the same page. Here are their four great advantages. They are closed-ended, so there are no redemption or inflow problems. They can take a long-term view, so they are in a position to invest in illiquid or new companies where bargains can often be found.

Also, overall, shareholder costs are generally lower than with other types of fund; and in downturns investment trusts often end up trading at discounts to their net assets, thus allowing investors to pick them up on the cheap.

First my UK picks. I tend to focus on five and ten-year numbers to ensure these trusts can deliver long term. While I have a mild bias against giant investment houses as they simply don't care about you or me, the record of **Mercantile Investment Trust (LSE: MRC)**, managed by JP Morgan, is superb with a ten-year total return of 128% and 21% over five years. Hence, and unusually in the current market, it is actually trading at a 1% premium.

It has an interesting portfolio spread between small, medium and large-cap companies, but is no closet index hugger. The ongoing charge is a reasonable 0.45%.

I have recommended **Henderson Smaller Companies Investment Trust (LSE: HSL)** before and see no reason to change my mind. Small companies have tended to suffer more and this year the share price is down by a quarter, but the discount to the underlying net asset value (NAV) has narrowed from 9% to 1%. The ten-year total return has fallen – to a "mere" 278%. I doubt we shall see that in the next ten years. Nonetheless, management has been very consistent.

For European equities I have simply gone for the two with the best ten-year records. The first is the **European Opportunities Trust (LSE: JEO)**, which has recently switched management companies from Jupiter to the little-known Devon Equity Management, although the fund manager remains the same.

A nimble-sized £850m fund, a ten-year return of 231% and a discount to net asset value (NAV) of 8% are all plus points. However, I think that the ongoing charge of 0.90%, in addition to a possible performance fee taking this up to 1.71%, looks almost greedy in current markets, especially if it fails to deliver.

The number-two fund in the ten-year league tables is another Henderson fund, the **Henderson EuroTrust (LSE: HNE)**. Its numbers are lower, but still strong with a total return of 135% over ten years. I include it not just because it has done well, but also because it has a very different portfolio to give a better spread. The current 10% discount to NAV and a much lower maximum ongoing charge of 0.82% are also in its favour, along with a historic yield of 3.1% compared with the leader's 0.9%. But who knows what will happen to these this year?

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A holiday from debt

Loans and credit card payments may be frozen for three months, but you will still have to cut your borrowing

Ruth Jackson-Kirby
Money columnist

If your income has been hit by the Covid-19 lockdown and you are worrying about making your debt repayments, don't panic. The Financial Conduct Authority (FCA) has "announced plans to freeze loan and credit card payments for up to three months as part of emergency measures", says Kalyeena Makortoff in The Guardian. If confirmed, the scheme would mean that you can apply to your loan or card provider for a break in your repayments that wouldn't affect your credit rating, as with a mortgage holiday. Lenders would also have to waive interest charges on arranged overdrafts of up to £500 for the same period.

This will relieve pressure on many people facing an income shortfall, but the government isn't waving a magic wand over your debt. When the crisis passes your debt will still be there. However, you can take steps of your own to tackle your debt. If you have credit cards you can't afford to pay off, apply for an interest-free balance transfer credit card – but do it fast.

"I've heard unconfirmed mutterings... that credit card firms are already starting to tighten acceptance criteria, never mind the fact many people's incomes maybe compromised. Therefore, if you need to cut existing debt costs ... do it ASAP," says Martin Lewis on Moneysavingexpert.com. The longest interest-free balance transfer deal currently available is 29 months from Virgin Money with a 3% fee. You can avoid the balance transfer fee with Santander's 18-month interest-free balance transfer deal.

Your car finance provider may be able to help

©Alamy

A £500 interest-free overdraft, meanwhile, is great news if you need a little bit of help getting through lockdown. But be very careful about building up debt on your overdraft. This week a long-planned change to overdraft charges came into force, meaning banks can no longer charge daily or monthly fees, merely a simple interest rate. Most banks planned to charge a set rate of around 40% on overdrafts, which will still apply when the current crisis passes.

Dodging overdraft interest rates

Avoid that enormous interest rate by shifting your overdraft debt onto a money transfer credit card. These cards allow you to pay money from an interest-free credit card into your bank account, giving you breathing space to clear the deficit without interest mounting up. MBNA will give you up to two years interest-free with a 2.99% money transfer fee.

Unfortunately, if you have a car finance deal the government has yet to announce any help. If you are going to struggle to meet your car repayments, you need to contact your car finance provider and ask for a payment holiday. Many are offering holidays or contract extensions, but unfortunately it isn't guaranteed.

Where there's a will...

The Law Society noted last month that "some firms had seen business double in recent weeks as people rushed to put their financial affairs in order", says Lucy Warwick-Ching in the Financial Times. But now we are in lockdown, updating your will is almost impossible. The law requires you to sign your will in the physical presence of two witnesses who don't stand to benefit from it.

The government is now exploring ways to relax the rules so people can get their affairs in order. It could insist on just one witness, or not require any, says Harry Brennan in The Telegraph. The armed forces' "privileged will" rules mean you can make a written or oral will with no witnesses required.

Wills could be witnessed via video conferencing. Witnesses could sit behind screens or windows In the same room or building.

In the meantime, you could draw upon the 18th-century case of Casson v Dade. It confirmed that witnesses do not actually have to be in the presence of the testator when signing the will, "just within the line of sight – for instance through a window or at a suitable distance", says James McNeile, a partner at law firm Royds Withy King in the FT.

Pocket money... don't forget to remortgage

■ If you have a nanny or a cleaner, can they still work under social distancing rules? "If your nanny lives with you, she or he can continue to look after your children in the usual way," lawyers told Lucy Warwick-Ching in the Financial Times. Live-out nannies and cleaners can travel to work as they cannot work from home, but they should try to maintain social distancing rules and you will need to work out how they will travel.

Only essential workers should use public transport. So could they drive, walk or cycle? Can you pay for a taxi for them? "Although you are 'allowed' to have your nanny in your house, this does not mean you should," or that they are obliged to come.

If they are not working because they are sick or self-isolating you should pay them sick pay in the usual way. If you, or your nanny or cleaner, decides not to work you can agree to furlough them until the end of May if they are paid though the PAYE system. You may then be able to apply for a government grant to cover 80% of their wage costs. Self-employed workers can claim 80% of their average monthly profits from the government.

■ The coronavirus outbreak has "given existing homeowners an opportunity to save thousands of pounds by remortgaging", says Adam Williams in The Telegraph. Getting a new mortgage has become very difficult since the process usually entails a visit to the property by a surveyor. But remortgage deals involve using market data to gauge a property's value. A total of 11% of mortgages are expected to mature in April, with £20bn of loans reaching the end of their initial terms. Rather than end up on your provider's standard variable rate, "save huge sums by switching".

■ Divorcing couples looking forward to seeing the back of each other may now be stuck together for quite a while longer. The crisis "has thrown traditional court processes out of the window", says Marianna Hunt in The Sunday Telegraph.

Couples who have recently negotiated a settlement could have to rethink as stockmarket falls have affected the value of Isas and pensions. The chaos in the housing market may mean splitting couples can't sell the family home, further delaying a deal.

■ Some good news, says Jillian Ambrose in The Guardian. Energy demand has fallen by 10% owing to the closure of shops, factories, pubs and companies. Market prices for electricity have sunk to a ten-year low. Anyone on a variable energy tariff will benefit.

Loan scheme revamped

The tweaks to the government's aid package should help small companies

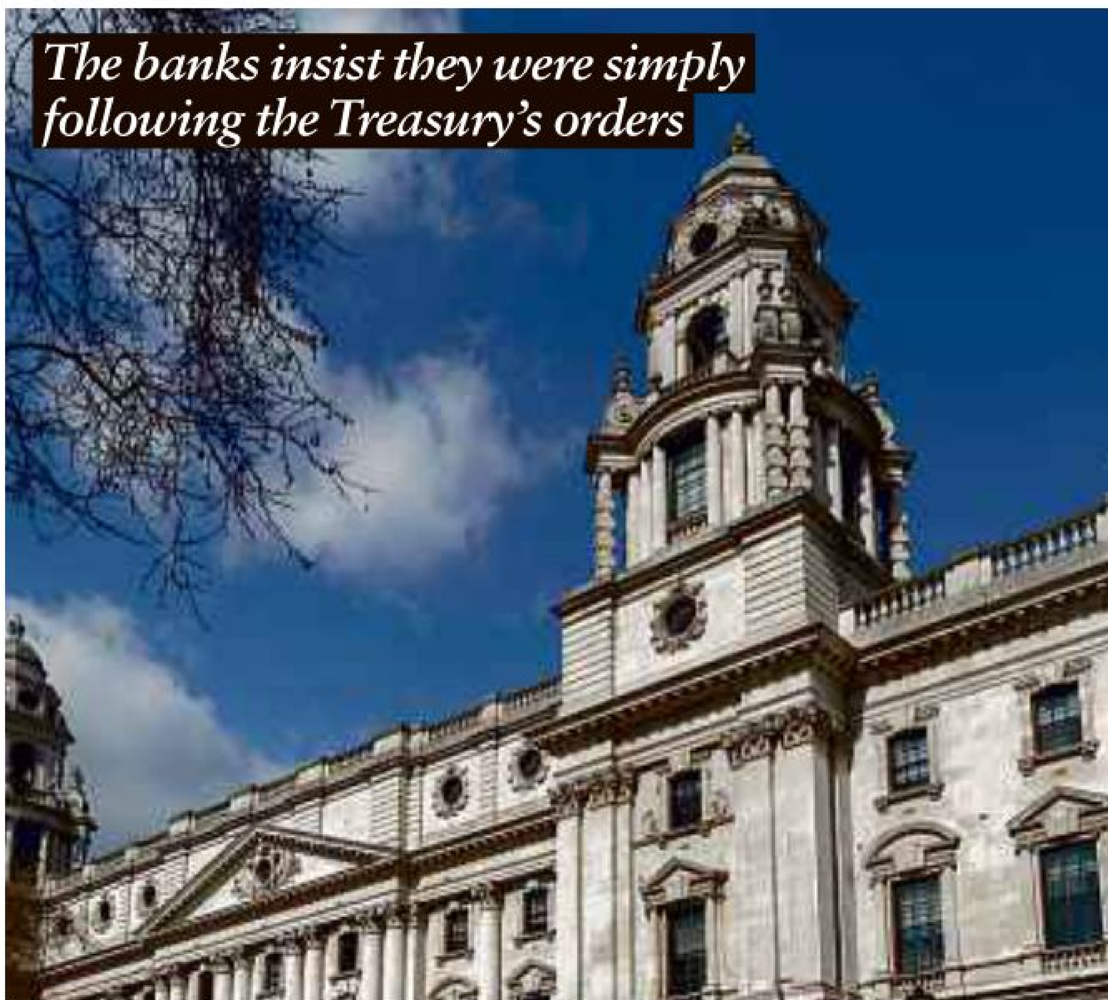
David Prosser
Business columnist

The recent overhaul of the government's Coronavirus Business Interruption Loan Scheme (CBILS) should help more crisis-stricken small and medium-sized enterprises (SMEs) access support. The CBILS relies on a panel of 40 lenders under the supervision of the British Business Bank. Lenders can offer up to £5m to eligible firms, repayable over terms of up to six years, with the state guaranteeing 80% of each loan if the SME defaults.

But while lenders reported more than 130,000 enquiries from SMEs during the first ten days of the scheme, fewer than 1,000 businesses successfully applied, sparking recriminations. Government officials have criticised banks' implementation of the scheme; banks say they simply followed the Treasury's instructions.

Rectifying two problems

In an effort to break the logjam, ministers have now tweaked the CBILS rules to address two key criticisms. Firstly, banks pointed out that they had been told to assess whether SMEs would be eligible for an ordinary commercial loan; only firms that failed this test would be eligible for the rescue scheme. But now this rule has been dropped. Secondly, many banks said they wanted directors to guarantee their loans personally, even though the government had said this would not be required for finance worth less than £250,000. Now, banks have been told they cannot require such guarantees on loans beneath this threshold.



The banks insist they were simply following the Treasury's orders

©Getty Images

The upshot is that any SME that would have been economically viable had it not been for Covid-19 will now be eligible to apply for finance. That's important not just because assessments of SMEs' eligibility for standard bank finance was causing delays, but also because under the CBILS, borrowers pay no set-up fees or interest in year one of the loan.

The new rule on personal guarantees could also be important. Many directors are understandably worried that their firm will not make it through the Covid-19 crisis even with emergency support; asking them to put their own assets on the line was unreasonable.

Nevertheless, many SMEs considering the scheme will still have some difficult questions to resolve. Do they want to saddle themselves with debt that may take many years to trade out of? And what will lenders charge for this debt? The Federation of Small Businesses wants interest rates capped at 6%, but there is no maximum and some lenders are thought to be considering rates as high as 35% on certain loans.

There are also doubts over whether lenders can cope with demand, with reports of long delays on phone lines. For some businesses time may already be running out. Still, the reforms to CBILS will be welcomed by many SMEs – and if you're struggling in the face of the Covid-19 pandemic, it's worth looking into what's available. Remember that you don't have to seek support from your current bank; the British Business Bank has details of all the lenders participating in the scheme and shopping around for the best terms and conditions will be important.

Can directors be furloughed too?

Following some initial confusion, the government has made it clear that company directors, including those appointed by their own personal service companies, will in some cases be able to claim help through its Job Retention Scheme.

This is the one that allows companies to put staff on temporary leave – or furlough – and claim a grant for 80% of the cost of their wages each month, up to a maximum of £2,500.

If you're a director of a business that pays you through the PAYE system – as opposed to through dividends – you may also be able to use this scheme to support your income.

The company will formally have to place you on furlough, recording the detail in its company records. This means you won't be able to do any further work, but if your business has dried up, this could be an effective way to claim help.

Importantly, the government has made it clear that company directors on furlough are allowed to fulfil their statutory duties without jeopardising their claim under the scheme.

So you'll be able to work on company accounts, for example. Effectively, it is only work that generates an income for the company that is problematic.

Finally, similar arrangements apply to members of limited partnerships, assuming they're treated as employees for tax purposes.

Start-ups could be finished without help

Amid the generous government support schemes for different types of business unveiled so far, assistance for one group is conspicuous by its absence. Many of Britain's start-up companies are unlikely to qualify for most of the help available.

The problem for many of these companies, including thousands of technology businesses, is that while their sales may be growing very rapidly, they have yet to break even.

This will make it almost impossible from them to claim support from the government's Business Interruption Loan Scheme, which is only for businesses that can show they would have been economically viable had it not been for the Covid-19 pandemic; most banks will only lend to previously profitable companies.

Founders Factory is calling for aid

©Twitter @foundersfactory

Nor are these start-ups going to get much help from the Self-employment Income Support Scheme. A few one-man bands may qualify, but most are beyond the scope of the scheme and no start-up launched after 6 April 2019 is eligible.

Still, it's not all bad news. Some start-ups can tap the Job Retention Scheme, which could help them retain and pay workers. Other initiatives, such as the right to defer VAT payments, may also be valuable. Still, start-ups that may have seen their revenues disappear in this crisis have so far been offered little tailored support despite the potential contribution many of these businesses will make to the UK economy, employment and tax revenues in the future.

Many of those in the start-up sector are very worried. Crowdfunding platform Crowdcube has this week launched the Save our Start-ups campaign, an attempt to lobby ministers for direct assistance. The incubator Founders Factory is calling for a "runway fund" that would take equity stakes in high-growth start-ups to support them through the crisis. There are international models for delivering such assistance. Both Germany and France have launched bespoke Covid-19 support schemes for their fledgling firms, offering help such as equity investment, loans and tax credits. If the UK fails to follow, it could lose a generation of businesses with huge potential.

Alleviating peanut allergies

Aimmune Therapeutics has produced the best treatment yet for vulnerable children

Stephen Connolly
Investment columnist

For Megan Lee, it was an Indian takeaway. For Natasha Ednan-Laperouse, a baguette from sandwich chain Pret A Manger. Both 15-year-old schoolgirls believed their food was safe to eat, but they died from allergic reactions.

The number of people with allergies keeps growing and there is no cure. All that sufferers can really do is avoid risky ingredients, but unreliable labelling makes this a gamble.

Now, however, there are hopes that a brand-new treatment called Palforzia from US biotech **Aimmune Therapeutics** (**Nasdaq: AIMT**) will prove a breakthrough.

Palforzia is no panacea

The allergy remedy is the first ever to be approved by the US federal government's Food and Drug Administration. It targets peanuts, the cause of most allergic reactions.

Dodging peanut butter is easy enough. The problem is what can't be seen: the nuts that lurk in flours and oils, or proteins, pastes and glazes.

And then there are the traces found in "nut-free" products following cross-contamination from other foods in big commercial kitchens. Even the most vigilant get caught out; cue panic, adrenaline injections and the accident and emergency unit. Palforzia aims to prevent this. It won't mean sufferers can scoff peanuts with no ill effects. But it is supposed to desensitise them so that accidental exposure no longer triggers life-or-death crises.

The need for this is greatest when it comes to children. Analysis by US non-profit organisation Fair Health of its insurance claims database showed that between 2007 and 2016 two-thirds of food allergy histories related to under 18-year-olds. Peanuts were behind 26% of reactions across all age groups. Over half the histories alone related to children under ten.

Anxious parents want peace of mind and an improved quality of life for their vulnerable children. With Palforzia signed off exclusively for use with children aged between four and 17, Aimmune is positioned where demand is likely to be strongest.

Until now, one of the only options for parents has been oral immunotherapy, whereby qualified individual allergists feed patients increasing amounts of peanut foods to desensitise them. Not many families choose this course of action as it is considered risky without a product approved by regulators.

The drug doesn't mean children will suddenly be able to gorge on nutty food

©Getty Images

But there are some parents out there who make three-hour round trips with their children who under supervision try to eat more and more M&M's peanut sweets without reacting.

Palforzia builds on this almost "DIY" approach to offer easily deliverable, accurate dosing with a regulatory stamp of approval – a safety net that should win support from existing peanut allergists. It should also encourage approved health professionals to offer desensitisation programmes for the first time.

Aimmune has therefore arguably built a game-changer. Global food group Nestlé, for one, certainly appears to think so. This deep-pocketed giant with international distribution capability has provided strong financial support. Finally getting to this point of commercialisation has taken Aimmune almost ten years. It began with a collaboration between parents, medics, academics and regulators who concluded there was a strong need for an improved treatment regime. It has a strong first-mover advantage, but others are trying to muscle in.

DBV Technologies, for example, hopes its patch-based allergy therapy will be approved later this year. For now, though, Palforzia is expected to generate $1bn of sales in a few years' time. US bank Piper Jaffray recently cited an allergists' survey suggesting "massive upside". We still don't know what exactly causes peanut allergies and there is no prospect of a cure for now. The focus must remain on amelioration and Palforzia is the best treatment we have.

Stephen Connolly writes on finance and business, and has worked in investment banking and asset management for over 25 years (SC@plainmoney.co.uk)

A bargain – if the drug succeeds

In Palforzia's first year of commercialisation sales will be minimal. What could follow, however, is a growth rate strong enough to propel revenue to around $1bn in four years' time.

There is plenty of blue-sky thinking here. For all the positives, Aimmune is still young and much can change. If it does work out, however, then the shares are cheap at $14.

Adding to the interest is that the company's big backer Nestlé, the $300bn food and drink behemoth, recently invested another $200m. It now owns 20% at an average share price of over $30.

Some analysts think it's only a matter of time before Nestlé, which is committed to healthy foods and consumer wellbeing, buys Aimmune outright, effectively taking a new product in-house to drive forward internationally.

This would be excellent news for shareholders, assuming the price is right. But it is speculation. If it doesn't happen, what are we left with? Aimmune is currently valued at around $900m, although it was worth a multiple of that before the spread of Covid-19 sent markets reeling.

And after its recent fundraising, it probably has upwards of about $420m-$450m in cash to fund its costs to breakeven and profitability.

The group is believed to have a sales team of around 80 that has been travelling far and wide to promote the treatment since the approval came through. It's also working on the US health insurance market. In the meantime it will be seeking European approval, working on product refinements and exploring new food allergy treatments such as multi-nut and egg. It has cash, a viable product, a commercial market and a strong backer.

Aimmune is not one for the nervous and certainly not a major investment for anyone. But for patient speculators, there is plenty of potential here.

The balm in Gilead

There is far more to this biotech giant than its potential treatment for Covid-19

Dr Mike Tubbs
Investment columnist

Very few stocks have gained a fifth this year. US biotechnology group Gilead Sciences is one of them. The bounce is due partly to the hope that its antiviral treatment Remdesivir will combat Covid-19. This antiviral proved effective in animal studies for treating previous viruses Ebola, Sars and Mers. It is now in two phase-III clinical trials (the final stage of clinical testing, before a drug is submitted to regulators for approval) to treat Covid-19 coronavirus in humans.

This demonstrates Gilead's expertise in anti-virals against a wide range of the world's dangerous diseases. However, even if the drug is approved, it might not give Gilead a long-term financial boost if the Covid-19 pandemic peaks (as Chinese cases seem to be doing) and then fades (as Sars did), or after an effective vaccine is developed.

It may also prove difficult to sell it profitably. Companies will be fearful of being deemed exploitative at a time of international emergency. Note that Johnson & Johnson, the world's largest healthcare company, is working on developing a vaccine that it has promised will be provided on a not-for-profit basis.

Look beyond the virus

Fortunately, there is plenty to like about Gilead beyond Remdesivir's potential. Biotechnology can be a risky sector because there are many smaller firms that are not yet profitable, have limited pipelines and no approved drugs on the market. But the big, established players have many medicines on the market and large, promising pipelines. Gilead, with a market value of $98bn, fits the bill nicely. It is the market leader in two important areas: the treatment of HIV and the cure of hepatitis C. Gilead is highly profitable with net income worth 38% of sales.

The group is a market leader in the treatment of HIV/Aids

©Getty Images

The group has 27 different medicines on the market, including 11 for HIV/Aids, seven for liver disease and others for oncology, cardiovascular and respiratory problems. Patent protection on some of Gilead's older HIV/Aids drugs is expiring. But four new drug launches in 2015-2018, including Biktarvy (2018), both extend patent protection into the late 2020s and reduce the bone and kidney safety concerns that have dogged some of the older HIV drugs.

Gilead's pipeline contains extensions of its current areas of leadership (HIV and hepatitis C) along with potential cures for hepatitis B (phase-I and II trials) and for HIV (phase-I trials). There are also treatments for non-alcoholic steatohepatitis (NASH, or fatty liver disease) in phase II. Gilead has three new areas with 12 clinical trials in progress for inflammatory diseases, 15 for oncology and eight for fibrotic diseases, whereby scar tissue develops on organs.

The inflammatory disease candidates are well advanced with eight in phases II and III, including treatments for Crohn's disease and several forms of arthritis. There are large markets for these drugs. The one for rheumatoid arthritis is expected to be worth $34bn by 2025.

A well-stocked pipeline

Gilead's major new area is oncology and it has strengthened its position here with two acquisitions. In 2017 it bought Kite Pharma for $11.9bn and in early March this year it added Forty Seven for $4.9bn. The Kite acquisition brought a series of immunotherapy drugs for both blood cancers and solid cancers. These include treatments for several lymphomas and leukaemias, with two in phase III and five in phase II.

Gilead's overall pipeline is well advanced with nine clinical trials in phase III, 18 in phase II and 15 in phase I. The acquisition of Forty Seven has added an antibody (a protein found in the body that attacks viruses and bacteria) called Magrolimab, which is in trials to treat leukaemias, lymphomas and solid tumours. Forty Seven's name comes from Magrolimab, a so-called CD47 antibody that switches off the "signal" broadcast by tumour cells to avoid destruction by the body's immune system. Forty Seven has seven clinical trials in progress – four in phase II and three in phase I.

A full pipeline and a useful yield

Gilead's results for 2019 show revenue of $22.45bn, net income of $8.5bn and earnings per share of $6.63. Revenue was only up 1.5% from 2018 to 2019 owing to more competition in the HIV market from companies such as GlaxoSmithKline.

Moreover, Gilead's hepatitis C drugs proved so effective that many patients needed no further treatment. Those are the reasons Gilead's share price fell from $120 in June 2015 to around $67 in February, but as the overall market slid, it held at $70-$80 during the month of March.

A sustained share-price rise will depend on some of Gilead's pipeline drugs completing late-stage clinical trials and finding success in the market.

But with nine phase-III trials in progress (including Remdesivir's two), the odds are good. That's because four of the nine phase-III trials are targeting multi-billion global markets. Idiopathic pulmonary fibrosis (a serious lung disease) will have a global market worth an estimated $3.6bn in 2023; rheumatoid arthritis a $34bn one by 2025.

The figures for Crohn's disease and DLBCL lymphoma are $31bn by 2025 and $4.3bn by 2022 respectively.

The main risk is of unexpected late-stage clinical trial failures. The other uncertainty is that the long-term chairman and CEO both retired in 2018. Daniel O'Day, who has 31 years' experience at Roche, has taken over as chairman & CEO. He oversaw the Forty Seven acquisition and hopes to continue the company's record of success.

If you invest in Gilead, you are betting on the success of its pipeline. In the meantime, however, the company generates free cash flow of $9.1bn a year and is on a forward price/earnings ratio of only 12.3 at the recent price of $78. It yields a useful 3.5%.

Profit from the long-term potential in pot

A professional investor tells us where he'd put his money. This week: Nawan Butt, Portfolio Manager of The Medical Cannabis and Wellness UCITS ETF

As the global economy wrestles with the fallout from Covid-19, investors desperate for good news should consider the secular growth story of cannabis. Over the past few years stock prices in the sector have been volatile, not least because the attitude of regulators was hard to gauge. But now, with medical cannabis deemed an essential service in at least 21 US states, the support from the authorities has become clear. Policymakers' support should limit the scope for share-price falls and bolster the investment case for pot stocks and exchange-traded funds (ETFs).

Try a dab of CBD

Using marijuana for medicinal purposes doesn't only involve smoking it. Cannabidiol (CBD) is a non-intoxicating oil derived from cannabis and hemp and is considered helpful for conditions ranging from anxiety to acne. This brings us to Abacus Health Products. Abacus holds a unique position in the complex regulatory structure of US CBD legalisation: it boasts the only CBD topical products in the US market that have been approved by the federal Food and Drug Administration (FDA).

Recently, the biggest hemp and CBD company in the US, **Charlotte's Web (Toronto: CWEB)** agreed to acquire Abacus. Charlotte's Web has the most recognised brand in the US for CBD, with an emphasis on its effectiveness against childhood epilepsy. The combined company will account for 35% of the CBD market, selling its products in 15,000 locations and online.

Tetra Bio-Pharma (Calgary: TBP) focuses on cannabinoid-derived treatments to help address chronic pain and eye problems, two of the largest market segments in medical cannabis. Its premier drug (CAUMZ) targets pain caused by advanced and incurable cancer and is in the process of gaining FDA approval; it has been accepted into the "Fast Track" programme. This designation expedites the review process and gives patients rapid access to new drugs.

Tetra is also developing botanical drugs for conditions currently ineffectively serviced by opioids and steroids. With the success of CAUMZ, Tetra Bio-Pharma will be able to reduce the stigma of cannabis-based medicine.

Growth in the cannabis greenhouse

The medical cannabis and CBD wellness boom in the US has had a positive effect across the supply chain. **GrowGeneration (Nasdaq: GRWG)** allows cannabis groups to build and maintain regulated cultivation sites throughout the US.

"Medical marijuana has been deemed an essential service in 21 US states"

It is a hydroponic equipment supplier with 27 garden centres across ten American states. Hydroponics has been a flourishing sub-segment of the market pioneered by the likes of Scotts Miracle Grows. GrowGeneration supplies thousands of products, including organic nutrients, soils, advanced lighting technology and state-of-the-art equipment used by commercial and home growers. It also offers greenhouse design and harvesting services for growers at any scale.

In its latest quarter, GrowGeneration managed to produce same-store sales growth of 62% year-on-year, along with positive net income. An industry with this kind of growth trajectory is a highly attractive long-term bet and a key component of our ETF's portfolio.

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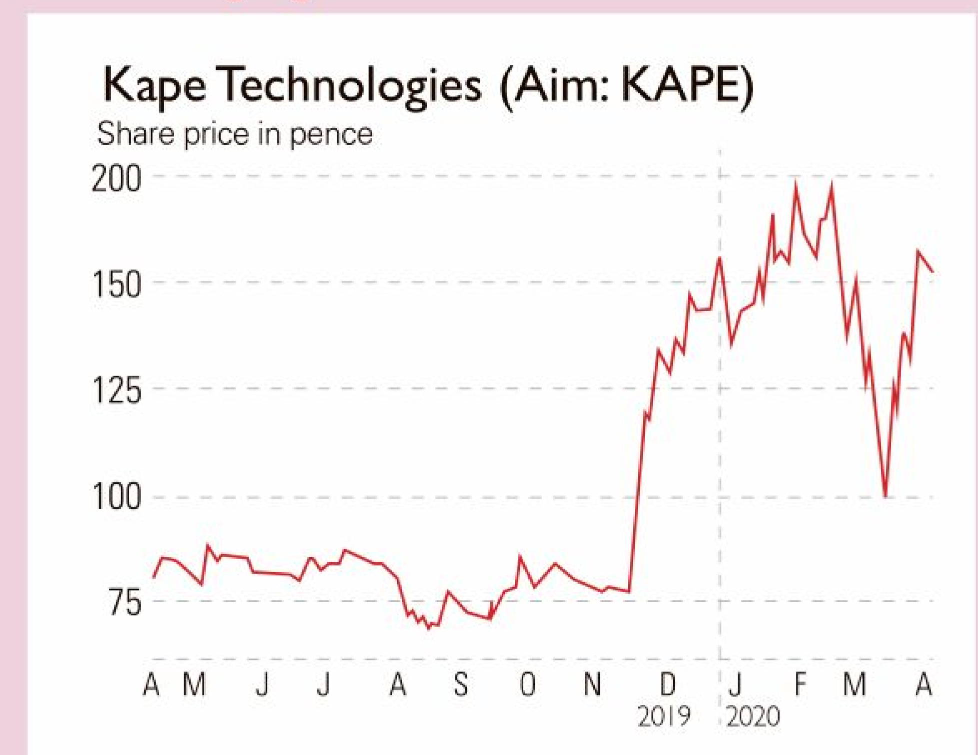

Kape Technologies, a digital security software specialist, has been among the few stocks that's largely shrugged off the Covid-19 panic. Chalk that up to solid results in a sector enjoying structural growth. In 2019 sales increased by 27% to $66.1m. Pretax profit slipped to $2.8m from $3.3m, although adjusted earnings before interest, tax, depreciation and amortisation,Kape's preferred profit measure, jumped by 40% to $14.6m. In mid-March the company said that all growth projections remained on track despite the virus. The stock has gained 110% in a year.

Be glad you didn't buy...

Carnival is a cruise-ship operator with a presence in North America, Australia, Europe and Asia. Earlier this month the company announced that the docking of its ships owing to the coronavirus will have a "material negative impact" on its finances. Carnival recently launched a US$6bn recapitalisation, aiming to raise $1.25bn through a share sale and issue around $4.75bn of debt at the same time, says Jamie Ashcroft in Proactive Investor. With no sign of an end to the global lockdown, it's hardly surprising that the stock has declined by 84.6% in 12 months.

The goateed mascot of British capitalism

Sir Richard Branson's Virgin empire is in trouble due to coronavirus. Can it be saved? Jane Lewis reports

Over the years, critics have increasingly tired of Sir Richard Branson, "the goateed and grinning mascot of British capitalism", says The Economist. They grouse about the Virgin founder's peculiar knack of creaming off cash from his ventures at the ultimate expense of the taxpayer. Now the billionaire is back with his begging bowl, says Spiked, gunning for a £500m state bailout of his airline, Virgin Atlantic, which is in danger of collapse. Down under, Virgin Australia (the country's second largest carrier) has requested an A$1.4bn emergency loan.

Branson (currently personally worth around $3.9bn, according to Forbes) has offered to sweeten the bailout pill by putting $250m of his own cash into the Virgin group, says The Times. But it's "unclear how much of that is earmarked for the airline" given competing demands from other troubled Virgin businesses, including its hotels and health clubs. "This is no time for Branson's usual smoke and mirrors." The public is in no mood to stump up for a billionaire based in an offshore tax haven – Branson needs to flash some more cash of his own if he wants to save his empire.

A hippy acquires business smarts

The son of a barrister and a flight attendant, Branson began his entrepreneurial career as a teenager – after quitting Stowe School at 16 to start a magazine called "Student", says Entrepreneur. His former headmaster marked the launch with a prophetic note: "Congratulations, Branson. I predict you will either go to prison or become a millionaire". Branson hit upon the idea of using the magazine to advertise mail-order records and "the business soon became more lucrative than the magazine".

Branson: "ruthless and canny"
©Getty Images

Branson clearly had business "smarts". In 1971, he partially fulfilled his headmaster's prediction when he was briefly "hauled into jail" following a scam to defraud Customs & Excise (he was saved when his mother showed up and posted the family home as bail). Virgin Records' big break was backing Mike Oldfield's 1973 hit *Tubular Bells*. Three years later, he signed The Sex Pistols. The band and their "shrewd manager", Malcolm McLaren, initially took Branson for a "naïve hippy", notes Spiked. But they were "soon taken aback at how ruthless and canny he was".

Over the ensuing decades Branson launched a bewildering array of high-profile businesses – from Virgin Atlantic (1984) and his space-tourism venture, Virgin Galactic (2004), by way of Virgin Money, Virgin Radio, Virgin Trains, Virgin Cola, Virgin Cosmetics… By 2014, the group had interests in 200 companies across 30 countries. The secret to his later expansion, says Entrepreneur, lay in "licensing the highly regarded Virgin name" – enabling him "to launch a patchwork of businesses with minimal investment": a strategy he dubs "branded venture capital".

Rebranding the latest trends

Branson has continued "his shtick of attaching the Virgin brand to the latest trends", says The Sunday Times. Thanks to tips gleaned from his new mates in the British Virgin Islands (Google founder Larry Page owns the island next door to Necker, where Branson is based), he has also built a "sprawling portfolio of tech investments". Necker was devastated by a hurricane in 2018. "The island is mending. We'll get it back and beautiful again," he said last year. Doubtless he'll be hoping much the same of his Virgin empire.

5 Reasons to Buy Physical Gold...

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Treat yourself to these epic wines

The MoneyWeek Wine Club is built on unshakable foundations, but we have felt the cold finger of Covid-19 just like everyone else. Unfortunately, this means that the star wine merchant who was lined up for this month's offer has been forced to duck out because of the mounting challenges of distribution. But, every cloud has a silver lining and one of my favourite wine specialists has, at very short notice, stepped up to the oche and presented us with a phenomenal sextet of wines. In these testing times, buying wine online is the best way to get wine safely to your door and so we are excited to keep this show on the road with some top class wines from Robert Rolls. I would like to thank Robert for coming up with six epic wines at short notice and also putting the most flamboyant and exciting case together since we started this august initiative. Stay safe everybody and keep enjoying fine wine.

Matthew Jukes

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Prices shown below are per case of 12 bottles. Wines are also available in a mixed case, giving you two bottles of each for **just £239, saving over £15 on the full price** - it's a chance for you to try them all, and is the most popular choice with *MoneyWeek* readers!

2017 Sancerre Blanc, Daniel Reverdy, Loire, France

It is interesting just how more expressive and mellow the Sauvignon Blanc grape becomes with a touch of age. While two and a half years old is certainly not ancient, this wine has turned a corner from the energetic, lean pole-vaulter into a sophisticated, mellow charmer. Relaxed and lip-smacking while still retaining its lemon balm and asparagus tip freshness this is a delicious wine which soothes and comforts the palate with its aromatherapeutic skills.

CASE PRICE: £202

2018 Saint-Véran, Gilles Morat, Burgundy, France

A fair few of the 2018 white Burgundies are broad and a touch honeyed, and while this is a flattering shape of white wine, in the short term, these chubbier whites never make the finish line in one piece. By contrast, this dynamic Saint-Véran is keen and edgy with zesty acidity and a sleek chassis. The silhouette of this racy Chardonnay is indeed alluring and I venture that if I told you that its flavour is akin to a slightly more toned and voluminous Chablis then I am sure you will take the plunge. I am new to Morat's wines but this beauty has certainly grabbed my attention.

CASE PRICE: £227

2017 Saint-Aubin Blanc, Sylvain Langoureau, Burgundy, France

This evocative wine took me straight back to my formative years in the wine trade. I remember tasting the wines from Meursault and falling head over heels for this style of Chardonnay. Richer, fuller framed and balanced with enticing minerality, I liked the weight and grandeur of these wines. Fast forward thirty years and wines with the old Meursault framework are popping up in other villages in the Côte d'Or, and Langoureau's Saint-Aubin is a perfect example!

CASE PRICE: £264

2017 Saint-Amour, J-P Brun, Beaujolais, France

Get your superlative hard hat on because here come a few fat compliments for this amazing wine. This is not only the finest Saint-Amour I have ever tasted but it is also my favourite Brun wine in years. The depth of fruit is staggering and the richness and swagger rarely seen in wines from this oft-lightweight village. The colour is the darkest inky purple and spice and herb notes puncture the deep core of fruit like a leg of lamb studded with rosemary and garlic (Simon Hopkinson's recipe) and this is what it would drink epically well with, too! Yum.

CASE PRICE: £227

2018 Sancerre Rouge, Silex, Vincent Delaporte, Loire, France

This red Sancerre is made by the world famous Delaporte family and I have not seen as juicy and impressive Pinot Noir from the Loire in a long time. Benefitting from the warm 2018 sunshine and wearing a colour which is so much deeper than wines from this northerly zone could reasonably hope for, this is a tour de force from this great winery and while I have tasted every wine from this estate for the last few decades, this is the first red to take my breath away.

CASE PRICE: £276

2018 Mercurey, Vieilles Vignes, Tupinier Bautista, Burgundy, France

I nearly dropped my glass when I tasted this beautiful wine. Mercurey is a village in the Côte Chalonnaise which usually brings us earthy slightly sinewy red wines. The juiciness of the 2018 vintage has cast a spell on this old vine cuvée and the transformation from a gruff, rustic number into a note perfect troubadour is amazing. I rarely drink tasting samples after I have written my note, but I made an exception for this lip-smacking Pinot Noir.

CASE PRICE: £258

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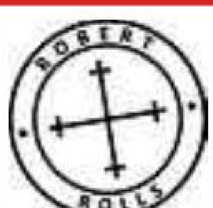

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Take a trip to new, virtual worlds

Fed up with the view from the window? Then it's time to escape into another reality. Chris Carter reports

"If ever there was a moment when millions of people needed a virtual world to escape into, it is now," says Tim Bradshaw in the Financial Times. Millions of us are under lockdown, unable to travel further than our front gardens – for those of us lucky enough to have them. For those stuck in flats, it's even worse. Happily, virtual reality (VR) can offer a way out.

Adventures in your living room

Californian Tim Bajarin has notched up more than 120 dives on trips to Hawaii and the Caribbean over the past 30 years. But with his state under lockdown, he has been forced to hang up his scuba kit. Now, he has swapped his dive mask for an Oculus Quest virtual-reality headset (pictured), and uses 360-degree videos in an app developed by National Geographic (called Explore VR) "to return to the deep". "I'm sitting in my easy chair and it's as if I'm swimming next to a manta ray – just like I've done many times, except I'm not getting wet," he tells Bradshaw.

Virtual reality can also take you from the ocean depths to the highest mountain on Earth. "I am at the foot of the Hillary Step, the infamous 12-metre rock face near the summit of Everest," says Toby Skinner for BBC Travel. The wind is whistling. When Edmund Hillary and Tenzing Norgay became the first to reach the top in 1953, Hillary wrote of Norgay that, "He collapsed exhausted… like a giant fish… hauled from the sea after a terrific struggle". Skinner, however, had the luxury of being able to pause "Everest VR" and remove his headset to catch his breath.

Explore Machu Picchu from your couch

©iStockphotos

World wonders brought to you

Virtual-reality headsets, such as the Oculus Quest, give you an incredible immersive experience, but you don't need all of that expensive gear to wander through the mountains from your couch. You just need an internet connection and a tablet or smartphone. Tourist boards, such as those in Austria (austria.info) and Switzerland (myswitzerland.com), have "rapidly overhauled their websites to offer interactive Alpine panoramas and 360-degree videos of hiking trails", says Bradshaw. You can also "visit" many of the world's most popular landmarks, without the crowds.

Machu Picchu in Peru, for example, still holds many mysteries, says Antonia Wilson in The Guardian, such as how it was built. High up in the Andes, 2,430 metres above sea level, it was built in around 1450 without the help of animals or wheels to lug the huge stones up the mountainside. You'll require the help of neither to reach the top. YouVisit's virtual tour (youvisit.com/tour/machupicchu) lets you explore the site and the tour includes a voiceover guide with information on the architecture, history and resident alpacas. For a bird's-eye view, head to Air Pano (airpano.com). Other sights/sites worth visiting include the 4,500-year-old pyramids of Giza with Google Maps Treks (google.co.uk/maps/about/treks) and Stonehenge (english-heritage.org.uk).

Museums and galleries at your fingertips

Google's Arts & Culture platform (available as a free app on your smartphone) has even recreated many of the world's most popular tourist destinations using augmented reality (AR). That's where the images you see respond to the movements of the phone, giving you the impression you're walking around in these digital places. That means you can admire many of the greatest masterpieces ever created without having to peer over a sea of heads.

The British Museum (britishmuseum.withgoogle.com) is one institution that has "hooked up" with Google's Arts & Culture platform, says Helen

"You can admire many of the greatest masterpieces ever created without having to peer over a sea of heads"

Coffey in The Independent. You can "wander through time and click on different artefacts to see them up close, read up on their history, and hear more from an audio guide".

Other must-see museums on the Arts & Culture platform include the Metropolitan Museum of Art in New York. "Twenty-six virtual exhibits and more than 200,000 documented works give digital viewers a taste of pretty much any art from nearly any era, from Pieter Bruegel the Elder's *The Harvesters* to Chanel's iconic suit", says Martin Lerma in the Robb Report. The Museum of Modern Art (MoMA), also in New York, The J. Paul Getty Museum in Los Angeles and the Uffizi Gallery are all also worth a virtual visit with Google. The Rijksmuseum in Amsterdam (rijksmuseum.nl/en/masterpieces-up-close) and The Louvre in Paris (louvre.fr/en/visites-en-ligne) offer similar experiences for armchair art lovers.

This week: properties with roof terraces – from a penthouse in London's Fitzrovia with a 2,600 sq ft roof terrace ov

Douces Manor, West Malling, Kent. A first-floor flat in a converted, Grade II-listed Georgian manor house. The flat has a large, open-plan kitchen and dining room, a private, decked roof terrace overlooking the grounds and shared access to 12 acres of gardens. 3 beds, 2 baths, recep, underground parking. £800,000 Fine & Country 01732-222272.

Bolsover Street, London W1W. A penthouse in Fitzrovia with a 2,600 sq ft roof terrace with views over central London and Regent's Park. It has floor-to-ceiling sliding windows, wood floors and a fitted kitchen with Gaggenau appliances. 4 beds, 4 baths, open-plan living area/kitchen, underground parking. £11m Savills 02035-270400.

Abbey Sounds, Torquay, Devon. This fourth-floor flat in situated in a six-storey, award-winning, Art Deco-style development overlooking Torre Abbey Sands and the marina. The flat comes with a 2,500 sq ft roof terrace with automatically irrigated steel box planters and edged by plate glass panels. 2 beds, 2 baths, open-plan living area/kitchen, video door entry system, allocated parking. £795,000 John Couch 01803-296500.

verlooking Regent's Park, to an apartment in an Art Deco-style development in Torquay

◀ **Creswell Place, London SW10.** A refurbished property on a quiet, cobbled street. It has a day room with a wet bar and a sauna, which opens onto a south-west facing roof terrace with a hot tub. The contemporary interiors include wood floors, a wooden staircase, an open-plan kitchen and dining room and an internal garage with glass walls. 4 beds, 4 baths, recep, study with en-suite shower, games room, gym, access to communal gardens. £6.65m Strutt & Parker 020-7244 1274.

▶ **Hapsford Stables, Great Elm, Frome, Somerset.** A contemporary property with a guest suite with a roof terrace. The grounds include a one-bedroom cottage. 5 beds, 3 baths, open-plan kitchen/living areas, library, stables, swimming pool, garden, pasture, meadow, 28.83 acres. £3.295m Strutt & Parker 07458-087293.

▲ **Emlyn Road, London W12.** An upper-maisonette in an Edwardian terraced house with a roof terrace with wooden decking and a glazed glass panel surround, and a private garden. It has sash windows with shutters, a cast-iron feature fireplace with decorative tiles in the living room and a kitchen and dining room with stairs leading down to the garden. 2 beds, 2 baths, recep, £875,000 Marsh & Parsons 020-8115 5321.

◀ **Martyn Lodge, Henfield, West Sussex.** An attached Georgian house with later additions and a roof terrace overlooking the parish church and the countryside beyond Henfield. It has deep sash windows, feature fireplaces, a minstrels' gallery, a double-aspect drawing room with French doors leading onto the garden and a kitchen with an Aga. 7 beds, 4 baths, 3 receps, cellar, parking, greenhouse. £1.25m+ H. J. Burt, 01273-495392.

▶ **Royal Windsor Quay, Thameside, Windsor, Berkshire.** A three-storey property in a contemporary development at Windsor Harbour on the River Thames. The property comes with a large roof terrace with 360-degree views over Windsor Castle and Eton College, and has floor-to-ceiling windows, oak floors, a modern kitchen with granite worktops, home control technology systems and two underground parking spaces. 2 beds, 2 baths, recep. £1.13m Savills 01753-834600.

The best TV streaming services

Make life under lockdown more entertaining with a selection of films and box sets. Nicole Garcia Merida reports

Keep the kids busy with more channels

Now TV's Entertainment Pass gives you access to other channels such as Sky (where you can watch Kim Kardashian's *The Justice Project*, pictured) and more than 300 binge-worthy box sets, including acclaimed shows *The Wire*, *Westworld* and *Game of Thrones*, says Becki Crossley on The List. "If it's streamable movies you're after, then try the Sky Cinema Pass for seven days free and choose from over 1,000 available films, including recent blockbusters such as *Rocketman*, *Aladdin*, *The Lion King* and more." The Kids Pass features channels not available on Freeview, such as Cartoon Network, Nickelodeon, and Boomerang, as well as a large selection of shows and films that will keep the children busy while you get some work done – or just some quiet time. *Seven-day free trial; pass prices vary.*

Binge on *Stranger Things*

"Netflix is known for its ability to crank out top-notch original content, as well as its constantly growing library of licensed content," says Dana Feldman in Forbes. According to a survey by Highspeedinternet.com, longtime industry leader Netflix reigns supreme as America's favourite streaming service during this lockdown. Its original shows, such as *The Crown*, *Stranger Things* (pictured) and *The Stranger*, as well as original films such as *Marriage Story*, make it a strong competitor. From groundbreaking classics such as *Breaking Bad* to the latest tiger documentary everybody is talking about (*Tiger King: Murder, Mayhem and Madness*), there is some "seriously fantastic TV on this platform", says Becki Crossley on The List. The basic option is £5.99 a month, but that allows you to watch on one screen at a time and in standard definition; the standard and premium plans allow you to watch on two screens and four screens respectively, for £8.99 and £11.99.

The service you may have already had but didn't know it

You might unknowingly have a subscription to Amazon's streaming service: if you pay for Amazon Prime, you have access to Prime Video as well. The service is "a go-to for good telly, rivalling Netflix with popular original series, such as *The Marvelous Mrs Maisel* and *The Man in The High Castle*", says Louise Whitbread in The Independent. Its sister platform, Prime Video Channels, has just got a lot better too. It features shows from Hayu, MGM, and StarzPlay among other major channels and, as it's excluded from the Prime membership benefits, it has extended its free-trial period from seven days to 30, "meaning you can enjoy TV shows, documentaries and films for far longer without spending a penny". Highlights include classic films such as *Legally Blonde* and *Donnie Darko*, and reality TV such as *The Simple Life*. *30-day free trial, channel prices vary.*

A wealth of family favourites

Disney's new service, Disney+, is ideal for those running out of things to do with their housebound children, says Rachel Wait in The Spectator. It recently launched in the UK and is "jam-packed" with family favourites, from *Frozen* to *Pirates of the Caribbean*. It caters for the whole family: Pixar films such as *A Bug's Life*, *Ratatouille*, and *Cars* for the young ones; classics including *Bambi*, *Dumbo* and the original *Lion King* for original Disney fans; every single Star Wars film, plus, exclusively, *The Mandalorian*, the first live action series in the Star Wars franchise; Marvel films from the first *X-Men* movie to *Avengers: Endgame*; and National Geographic shows examining everything from the oceans to the Grand Canyon. If no one can agree on what to watch, you can stream on four different screens at the same time. *Seven-day free trial, then £5.99 a month, or £59.99 a year*

Wine of the week: a unique and very special pinot noir from New Zealand

2017 Seresin, Leah Pinot Noir, Marlborough, New Zealand
About £22.50, greatwesternwine.co.uk, nzhouseofwine.co.uk, noblegreenwines.co.uk, thedrinkshop.com

Matthew Jukes
Wine columnist

A few weeks ago, I enjoyed a fantastic morning tasting Michael Seresin's new releases. If you recognise his name, but cannot quite place it, everything will fall into place when I take you away from the wine world and drop you on a film set. Michael is the renowned cinematographer responsible for such classics as *Bugsy Malone*, *Midnight Express*, *Birdy*, *Angel Heart*, *Angela's Ashes* and more recently *Harry Potter and the Prisoner of Azkaban* and two *Planet of the Apes* pictures.

A passionate Kiwi, planet-loving and pioneering, too, Michael founded Seresin in 1992 and he was one of the first high-profile people to embrace organic winegrowing. He has recently refocused his vinous exploits and he has trimmed his portfolio, too. The results are the most elegant and refined releases I have ever tasted from this brand. Leah is grassy and firm with near-cabernet franc freshness and, given that this is a bold pinot noir, you will sense that it is a unique and very special wine. The fruit is direct, pure and resonant and it sums up Michael's intent in a single sip.

Please also track down 2018 Sauvignon Blanc (£19.50, greatwesternwine.co.uk; £17.99, nzhouseofwine.co.uk) because it is terrific. With 8% semillon in the mix and 15% neutral oak tucked into its shimmering chassis, this is a crisp, tight wine which leans on its wondrous Raupo Creek ingredients.

Matthew Jukes is a winner of the International Wine & Spirit Competition's Communicator of the Year (matthewjukes.com)

Book of the week

Feeding Britain

Our Food Problems and How to Fix Them

By Tim Lang

Pelican, £25

Britain's exit from the EU gives us a chance to find an alternative to the deeply unpopular Common Agricultural Policy, which is generally regarded as expensive and unsuited to the needs of the modern economy. Professor Tim Lang of City University argues that this isn't the only scheme that needs a rethink – our entire food policy is flawed. In *Feeding Britain: Our Food Problems and How to Fix Them*, Lang details what he considers the shortcomings of the status quo to be and suggests some ways in which things could be improved.

Lang finds fault in a wide range of areas, but highlights three major problems. Firstly, food production is too insecure – Britain not only depends on foreign imports for around half its food needs (more if you factor in animal feed), but it also relies on fragile "just in time" supply lines. Secondly, current practices are unsustainable, making inefficient use of land and having a sharply negative impact on the environment. The third and final big problem is that our food is unhealthy, with people eating too much red meat and processed food.

The current system does clearly have its shortcomings, especially given the high levels of obesity, and the system of subsidies does need to be refocused so that small-scale family farmers can make a decent living. However, unless you believe that a global war or something like it is imminent, Lang's warnings that our supply lines are at risk of breaking down seems alarmist. It's important to recognise that, apart from a few initial shortages, which were quickly resolved, the supermarkets have been able to take the current crisis in their stride. This shows that, far from being insecure, our system is a lot more resilient than he suggests.

Is Britain's food production sustainable?

©iStockphotos

> "Apart from a few initial shortages, quickly resolved, the supermarkets have taken the current crisis in their stride"

In any case, Lang's cure may be worse than the disease. As you might expect, he advocates a massive increase in regulation and government involvement at all levels of the food-production process, as well as the enlistment of an army of bureaucrats to staff the national and local bodies that he wants to set up to direct food policy. What's more, his demands for shorter supply lines (in other words, fewer imports) would be likely to push up the cost of food significantly, while reducing the amount of choice that the consumer currently enjoys.

Feeding Britain deserves praise for shining a light on an area of public policy that hasn't received much attention. Still, it would be a shame if policymakers followed Lang's advice and tried to stop us taking advantage of the large amount of high-quality and cheap food that is available from producers around the world.

Reviewed by Matthew Partridge

Rake's Progress

My Political Mid-Life Crisis

Rachel Johnson

Simon & Schuster, £16.99

Just over a year ago, the headlines were dominated by the resignation of several Labour and Conservative MPs and the formation a new political grouping. Some predicted that the new group, later known as Change UK, would be a political force and sweep the old party system away. In the event, it crashed and burned within weeks. Change UK won only 3.3% of the vote in the May 2019 European elections. Rachel Johnson gives us a glimpse of what went wrong.

Johnson, who was selected as one of Change UK's list of candidates after an online interview, quickly discovered that the new grouping had next to no organisational backbone nor funding. It was riven between various factions, some of whom wanted to form alliances with other Remain parties. Largely left to fend for herself, Johnson was quickly sidelined after a serious of gaffes, culminating in her advising voters to vote tactically for other parties (a call that would eventually be echoed by several Change UK MPs).

Johnson's personal style will appeal more to fans of her regular Mail on Sunday column than to those looking for serious political analysis. Still, one point does come across clearly – that Change UK never got off the ground because it didn't really have any political principles, apart from a vague commitment to "centrism" and opposition to Britain leaving the EU. Since the Lib Dems had these covered, Change UK didn't really have a raison d'être.

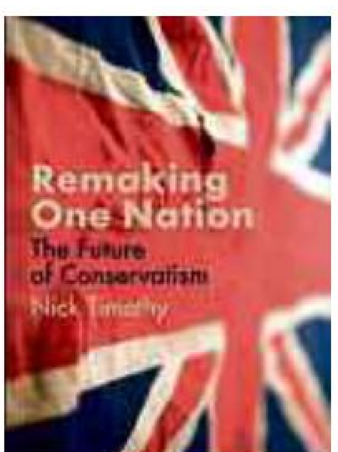
Book in the news... a contemplation on the future of conservatism

Remaking One Nation

The Future of Conservatism

By Nick Timothy

Polity Press £20



For nearly a year after Theresa May's accession to power in July 2016, her co-chief of staff, Nick Timothy, "was the most powerful man in the land", says Quentin Letts in The Sunday Times. The disastrous election result of 2017, which saw the Conservatives unexpectedly lose their majority, led to Timothy, along with his colleague Fiona Hill, being fired. Timothy has now returned to the political arena with *Remaking One Nation: Conservatism in an Age of Crisis*. The book begins with a "pacey chapter" about his time in power, but it is not a memoir, more a "contemplation" on the future of conservatism.

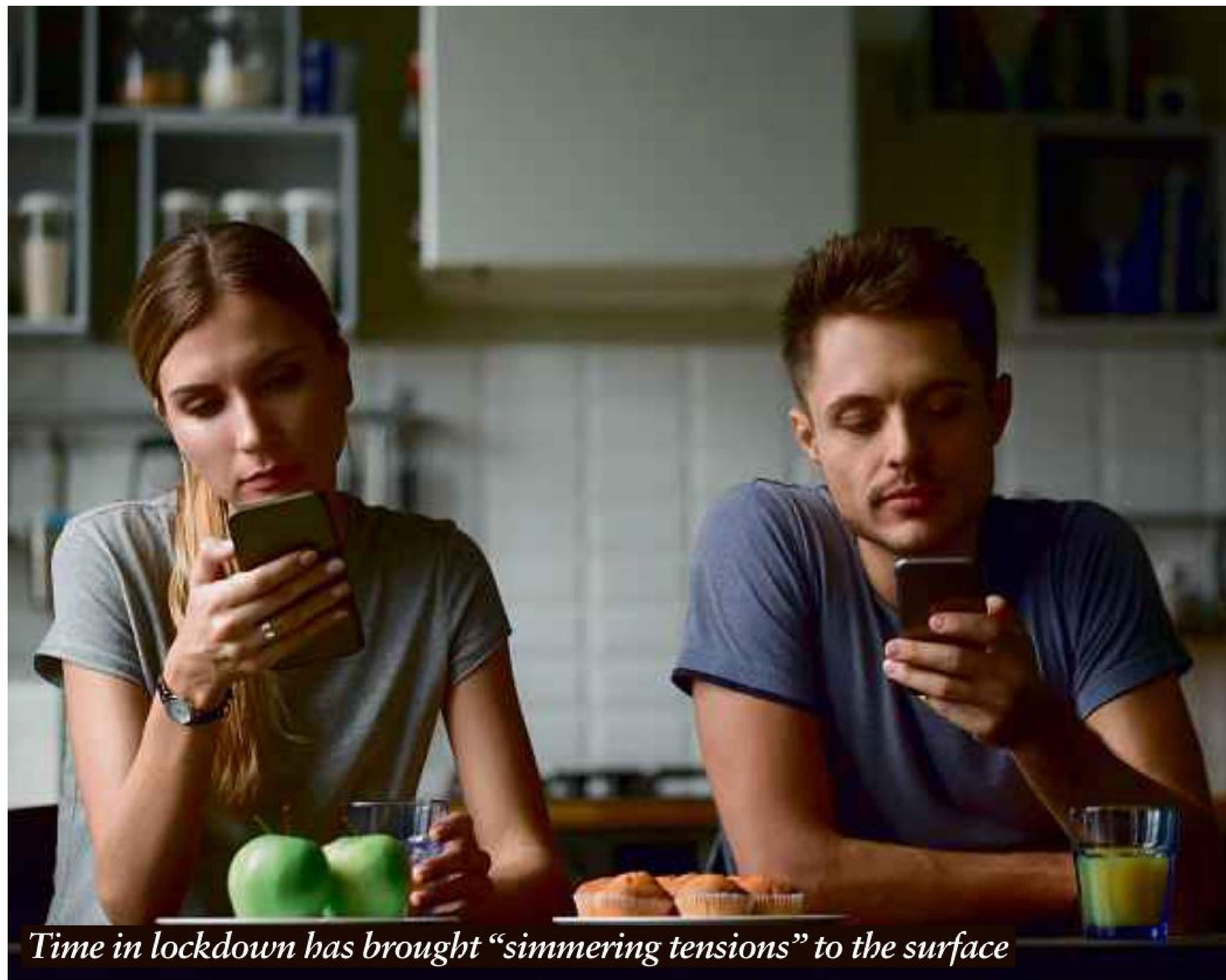
Though the book is primarily addressed to Conservatives, it is a "thought-provoking read for those who are not", says Andrew Rawnsley in The Guardian. Indeed, the book is "at its best" when it challenges "conventional right-wing thinking". He criticises the "corporate bureaucrats" who have "vastly enriched themselves" while the real incomes of many of their workers have been "stagnant", for example. Timothy argues that prosperity has been "far too concentrated" at the top of society, leaving those on the lower rungs to feel that it has "passed them by". He also thinks that social liberalism, increasingly embraced by the Conservative Party, has been corrupted by an "intolerance of contrary opinions, and a neglect of the importance of place".

There are many problems with these arguments, not the least of which is the fact that Timothy sees the upside of nationalism without sufficiently considering the downside, such as the "beggar-thy-neighbour policies" of the 1930s, says The Economist. Similarly, he ignores the benefits of the various social and economic changes that have taken place over the last few decades. Nonetheless, he makes a "powerful case" against the "libertarian right", whom he sees as obsessed with shrinking the state. At the very his least, his book should provide a "jolt of electricity" to what has, up until recently, been a "moribund debate" within the Conservative Party over the role of government.

The return of courtship

While some irritated couples ring their divorce lawyers, younger folk are rediscovering the charms of dating

Along with cockroaches, divorce lawyers seem to have the annoying habit of turning even the worst crisis to their advantage. The coronavirus pandemic is no different. Many barristers are predicting that enforced lockdowns and self-isolation are likely to lead to an increase in the number of marriages breaking up, reports Sarah Young in The Independent. Being forced to spend more time together means that "simmering tensions" in people's relationships are "rising to the surface".



Time in lockdown has brought "simmering tensions" to the surface

©Getty Images

"One Shanghai divorce lawyer reports that his caseload has increased 25% since the city's lockdown eased in mid-March"

For better, not worse

The argument that "too much time spent together in close quarters" can destroy relationships is supported by what is happening in China, says Sheridan Prasso on Bloomberg. Official data is only published annually, but media reports suggest that divorces "surged" in March as husbands and wives "began emerging from weeks of government-mandated lockdowns intended to stop the spread of the novel coronavirus". Indeed, one Shanghai lawyer reports that his caseload "has increased 25% since the city's lockdown eased in mid-March". Past history also suggests that such a spike could persist – divorce in Hong Kong's general population increased significantly in the year following the Sars crisis.

Some couples aren't even waiting for the lockdown to end before beginning preparations for a break-up, says Pavithra Mohan in Fast Company. One Chicago divorce lawyer admitted that, the week after President Trump declared a national emergency, he had received exploratory calls from a "ton of people" who wanted to know how they could go about leaving their spouses in two or three months' time. Even the presence of their better halves in the next room didn't deter some people from consulting the lawyer – his conversations included one from somebody "who was clearly calling me from his closet".

Still, it's not all doom and gloom, says Pravina Rudra in The Times. The prospect of impending calamity got some people "thinking about the fact that they are single and don't want to be", which led to a "last-minute rush to romance" in the weeks leading up to last month's lockdown. Several dating and introduction agencies found that social distancing and self-isolation "have not yet put paid to dreams of romance", with business up by 20%. The singles parties that took place also experienced record sales, despite the introduction of "no kissing" rules.

Such parties and physical dates are for now impossible, of course, but many young people are proving that "just because you cannot actually meet somebody in person does not mean you cannot date" by taking their quest for love online, says The Economist. The move towards video dating has been encouraged by the fact that many of the dating apps and websites, such as Match.com, are now "giving away some features that normally cost money". Some people are hoping that the rise of such "slow dating" could revive the old art of courtship, with people taking time to get to know each other by talking rather than relying on the "visual branding cues" on social-media profiles. Let's hope so.

Quintus Slide

Tabloid money… the flamboyant eccentric who hankered for a gentler age

● Alexander Thynn, the Marquess of Bath, died last week at the age of 87 after testing positive for coronavirus. To the public at large, he "cultivated the image of the pony-tailed polygamist living the life of a libertine with scores of lovers while cushioned by great wealth, privilege and the security of a 10,000-acre estate", says Richard Kay in the Daily Mail. While the Marquess (pictured) "revelled in the tabloid headlines", he was also "a model of correctness, unfailingly polite and with impeccable manners". He was also "a shrewd businessman", whose Longleat estate was one of the most visited attractions in the country. "Beyond the flamboyant outfits of fez, kaftan, Indian silk shirts, purple trousers and carpet slippers was a figure who hankered after a gentler age and tradition."

● Some wiseacres are advising us to host virtual dinner parties online, says Virginia Blackburn in the Daily Express. So, clear from in front of your internet camera "the tsunami of crisp packets, Hobnob wrappers, boxes of chocolate [and] half-eaten tins of baked beans". Do place in view of your guests a guide to learning Mandarin and a copy of Proust. "Retrieve from the bin the last half-decent bottle of plonk you consumed… then fill it with the contents of one of the 95 boxes of wine you panic bought last week." Do make a "song and dance about examining the label carefully and sniffing it thoughtfully before taking a sip… Try not to down it in one gulp… We don't want anyone to think you're letting standards slip."

● Britain no longer has migrants from eastern Europe to do the "back-breaking work of gathering crops", says Lorraine Kelly in The Sun. They can't get here because of the crisis. "Not long ago, work in the fields used to be done by our own local unskilled labour force – by students and school kids wanting to earn extra pocket money, and at the weekend by entire families to supplement their income." Work has been "shunned by so many Brits", maybe because they think it is beneath them. Now their country needs them. The Pick For Britain campaign is calling for a 90,000-strong "land army" to do their bit. "Otherwise there is the very real prospect of excellent home-grown produce going to waste, just when we need it most."

©Alamy

Bridge by Andrew Robson

Six tricks worse than the autopilot

On this week's deal declarer made a fine play, but, worse than breaking even, he actually did six tricks worse than the autopilot line.

Dealer South — East-West vulnerable

North:
♠ J107532
♥ 32
♦ AK52
♣ K

West:
♠ AQ6
♥ 965
♦ Q764
♣ 1053

East:
♠ K984
♥ Q1087
♦ J98
♣ Q6

South:
♠ -
♥ AKJ4
♦ 103
♣ AJ98742

The bidding

South	West	North	East
1♣	pass	1♠	pass
2♣	pass	2♦	pass
2NT*	pass	3NT**	pass
pass	pass		

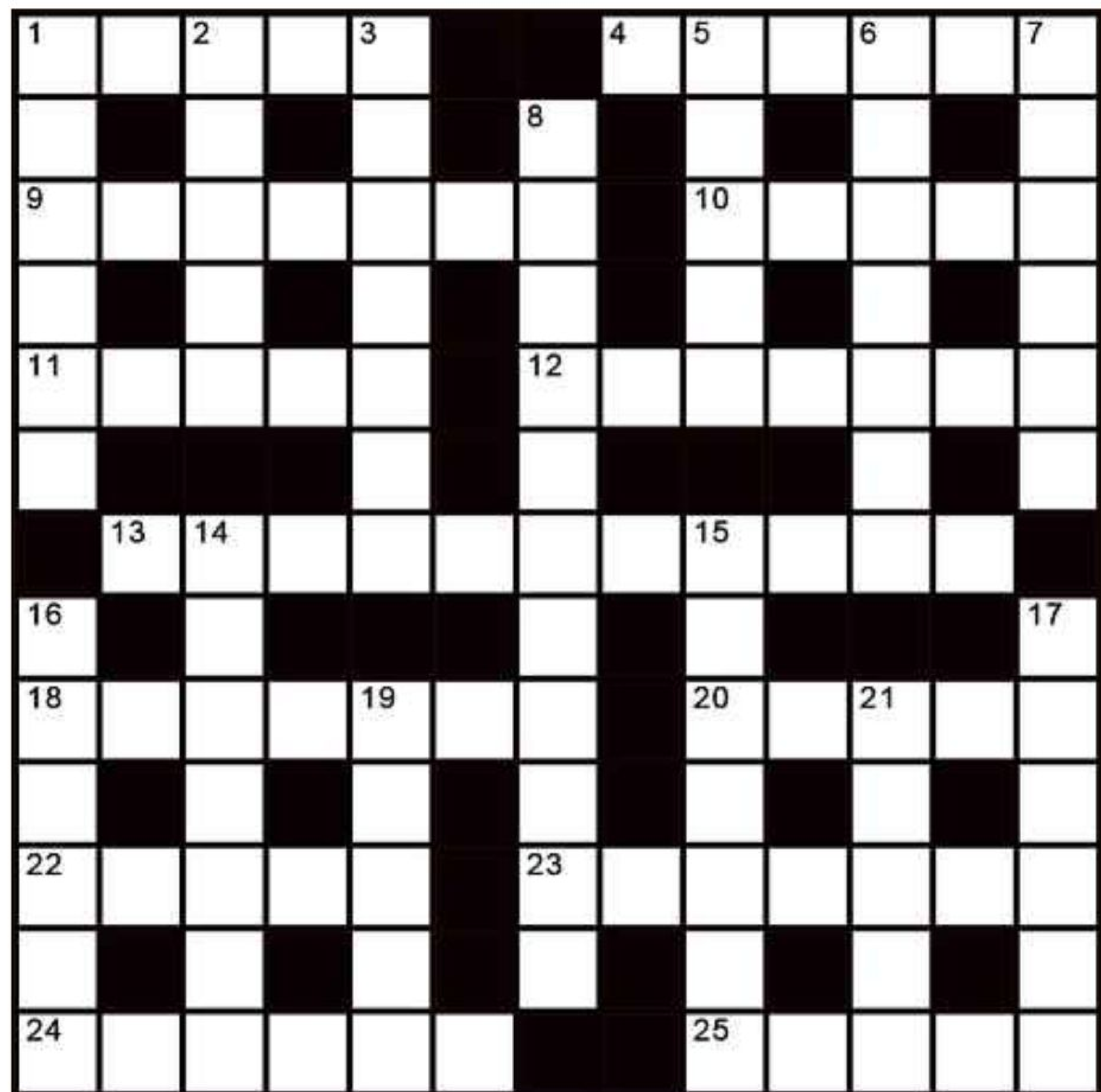
* Unorthodox to try for No Trumps with such a shapely hand, but South does have powerful stoppers in the unbid suit.
** Sporting, but the King of Clubs is a huge card.

West led the nine of Hearts to East's Queen and declarer's King. Because of the entry shortage to hand (and the three top Spade losers) declarer could afford to lose only one Club trick. Playing for the Queen to drop doubleton – crossing to the King, returning to a Heart, then bashing out the Ace, would have brought home the bacon here (indeed, no fewer than 12 tricks). Declarer saw a theoretical improvement. Leading the Ace of Clubs and swallowing dummy's King would leave him guessing whether or not to play for a ten doubleton or a Queen doubleton. With nothing to go on, this guess is equivalent to crossing to the King and returning (via a Heart) to cash the Ace. No better, no worse. However, leading the Ace is a superior play because it gives declarer the extra chance that the ten or Queen is singleton, in which case he is in the right hand to drive out the other missing Club honour. Crossing to dummy's King, on the other hand, leaves him an entry short to set up the suit. Declarer duly led the Ace of Clubs at trick two (no honour appearing) then guessed to follow with the Knave. West won the Queen, led a second Heart and, with communications severed, the contract drifted three down.

For all Andrew's books and flippers – including his new hardback The Next Level – see andrewrobson.co.uk

Tim Moorey's Quick Crossword No. 994

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 20 April 2020. Answers to MoneyWeek's Quick Crossword No. 994, 31-32 Alfred Place, London, WC1E 7DP.



Down clues are straight whereas across clues are mildly cryptic

ACROSS
1 Erect, whichever way you look at it (3, 2)
4 Is lazy in trousers (6)
9 Seafood taken from a book exclusively (7)
10 Butterfly, orange and brown (seen in this clue!) (5)
11 Small-time player often conceded on the square (5)
12 When it's right to retire (7)
13 A Cornishman's oddly one belonging to another time (11)
18 The Queen broadcasting in one month (7)
20 Relish nothing in a dance (5)
22 Author Martin's wrong (5)
23 Result of splitting hairs? (7)
24 Nice perhaps to put something in order again (6)
25 Lord seen in Belgian city (5)

DOWN
1 Mercury, for one (6)
2 Cheers, for example (5)
3 Lacking imagination (7)
5 Transparently clear (5)
6 Performs (eg, a crime) (7)
7 Frightened (6)
8 The people in, say, a club collectively (11)
14 Nurses for children (7)
15 Not sharp or flat (7)
16 Damage (6)
17 Search online (6)
19 Part of the stairs (5)
21 Lacking sophistication (5)

Name

Address

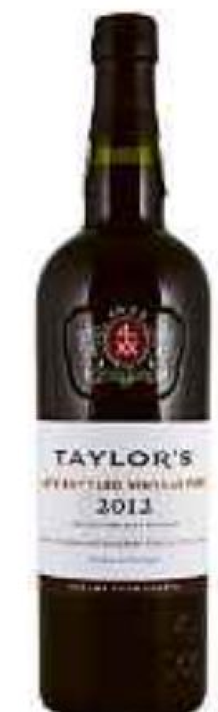
Solutions to 992

Across 1 Fleet 4 Stepson *steps on* 8 Library 9 Tract *tract(or)* 10 Straightaway 13 Ada *hidden* 15 Tango 16 Top *cryptic def* 17 Power station 20 Intro *first letters* 21 Origami 22 Everest *(s)everest* 23 Niece. **Down** 1 Film star 2 Ember *hidden* 3 Toad-in-the-hole 4 Say *two defs* 5 Extrapolation 6 Sealant *anag* 7 Nett 11 Hands *two defs* 12 Open fire 14 Apostle *post in ale* 18 Irate 19 Aide *idea with "a" moved* 21 Opt.

The winner of MoneyWeek Quick Crossword No.992 is: Mr Chris Mills of Gloucester

Tim Moorey is author of How To Crack Cryptic Crosswords, published by HarperCollins, and runs crossword workshops (TimMoorey.info).

Taylor's, a family firm for 325 years, is dedicated to the production of the highest quality ports. Late Bottled Vintage is matured in wood for four to six years. The ageing process produces a high-quality, immediately drinkable wine with a long, elegant finish; ruby red in colour, with a hint of morello cherries on the nose, and cassis, plums and blackberry to taste. Try it with goat's cheese or a chocolate fondant.



Sudoku 994

		9		4		3		
	3	2						
		7			2	5	8	
			2		6			7
				9				
2			4		1			
	2	1	8			4		
			9				5	
		8		5		2		

To complete MoneyWeek's Sudoku, fill in the squares in the grid so that every row and column and each of the nine 3x3 squares contain all the digits from one to nine. The answer to last week's puzzle is below.

2	9	4	7	8	3	6	5	1
7	5	1	4	2	6	8	3	9
8	3	6	9	5	1	7	2	4
4	1	7	6	3	8	5	9	2
9	8	5	2	4	7	3	1	6
3	6	2	1	9	5	4	8	7
1	4	8	5	7	9	2	6	3
5	7	9	3	6	2	1	4	8
6	2	3	8	1	4	9	7	5

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Sell the dollar; buy gold

Feverish markets are giving investors the chills. Time to find a safe haven

Bill Bonner
Columnist

Gold has been a reliable store of value for millennia

©iStockphotos

The Dow Jones blue-chip index has been on a roller-coaster ride, sinking to multi-year lows then rallying on hopes that a $2trn stimulus package will save the US economy from the coronavirus. Even as stocks rallied, new unemployment claims for the week ending 21 March reached more than three million, or four times higher than the previous record set 38 years ago. Stocks swooned again. Which is it? Up or down? Bull market… or depression? The best answer is "both". Fire and ice. Fever and chills. The heat of war… and the cold mud of the grave.

That means you should hold gold, which has been a stable store of value for millennia. We know that, historically, a real bear market in US stocks takes them down to where you can buy all the 30 Dow stocks for five ounces of gold – or less. That is as reasonable an expectation today as it was in previous bear markets. And assuming the price of gold stays at $1,600 per ounce, that will mean a Dow around 8,000 (it's currently at around 21,000). Most likely the price of gold will rise as the Dow declines, giving us a target for the Dow (in today's dollars) somewhere in the middle, or around 15,000. But the bottom could also be right here, right now. Prices could stay right where they are, nominally, as real values sink.

So get real gold, if you can get it. (So many people are trying to buy gold that dealers report that they are running out.) As the going gets rough, governments are likely to want real money, too. In Argentina, there is widespread suspicion that the government is planning to close the banks and clean out savings. In the US in the Franklin Roosevelt years, the feds decided to make private holdings of gold illegal. People dutifully turned in their gold at the statutory rate, getting paper currency in exchange. Then, the feds devalued the paper currency against gold by 69%.

"So many are trying to buy gold that the dealers are running out"

With the printing press, the feds can drive up the price of just about everything… except the dollar itself. As prices rise for goods, services and assets, it means the purchasing power of each dollar is going down. The dollar will be the gasket that blows. When that happens, the most obvious investment you can own is still gold, which rises as the dollar falls. The worst investments will be those that depend on a fixed stream of dollar earnings.

Already, both bonds and the dollar may be telling us that the switch from deflation to inflation may not be far off. The feds will buy bonds by the boatload to keep prices high. But like stocks in the 1970s, the ground will give way beneath them. The dollar – in which bonds are quoted – will sink against almost everything else, especially gold. The Bloomberg Dollar Spot index recently notched up its biggest weekly loss since 2009, with the greenback sliding against 16 major peers. Watch out…

The bottom line

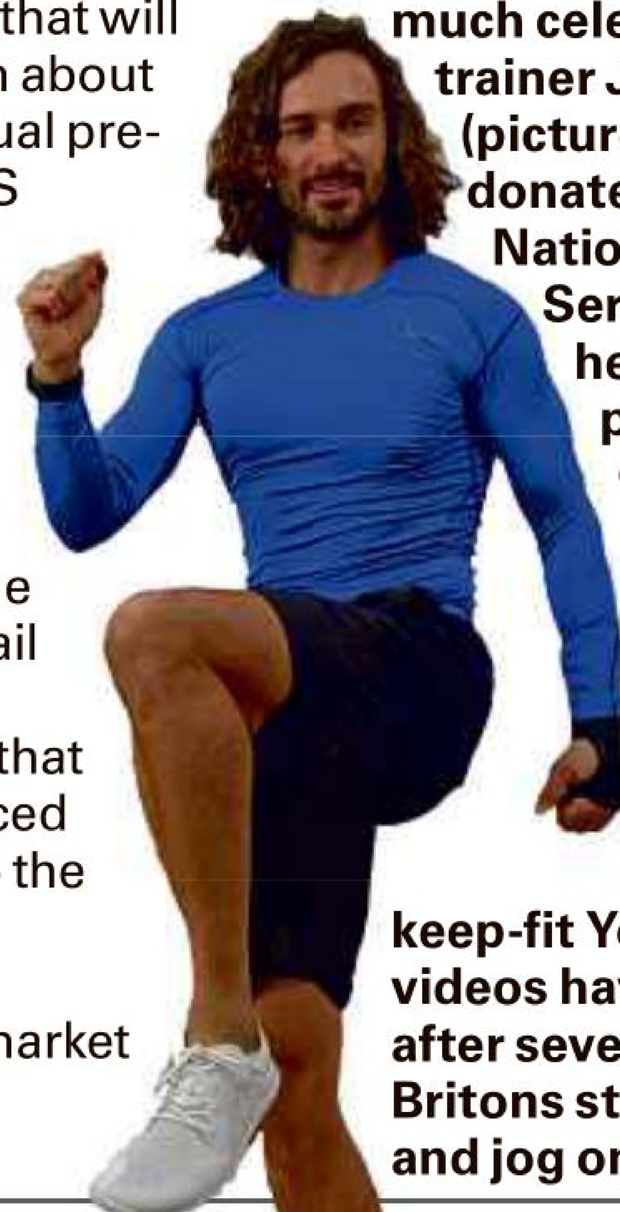
$22m The value of the national debt owed by the Seychelles to Britain, France, Belgium and Italy that was bought up by US charity Nature Conservancy at a discount. That debt was then written off in exchange for the Indian Ocean archipelagic nation turning a third of its waters – an area twice the size of Britain – into protected marine parks.

£300m How much the BBC expects to lose in revenue in the first year following the decriminalisation of non-payment of the TV licence fee. The broadcaster then expects to lose an additional £200m every year after that, according to its own analysis. The BBC currently receives £3.69bn a year from the £157.50 annual licence fee.

£2.5bn How much personalised vehicle number plates have raised for the Treasury since 1989. This year, DVLA intends to ban offensive and political number plates, such as M20 RON and EU20 NO.

£6bn The weekly cost of the government's policy of paying 80% of the monthly wages, up to £2,500, of furloughed workers, according to bank UBS. Six months of that will cost the nation about the entire annual pre-pandemic NHS budget of £140.4bn, says the FT's Alphaville blog.

630,000 The number of retail outlets in the United States that have been forced to close due to the spread of coronavirus, according to market research firm Coresight.



$100,000 **How much celebrity fitness trainer Joe Wicks (pictured) has donated to the National Health Service to help it treat patients with Covid-19. The sum is the amount in advertising revenues that his popular keep-fit YouTube videos have made after seven days as Britons stay at home and jog on the spot.**

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