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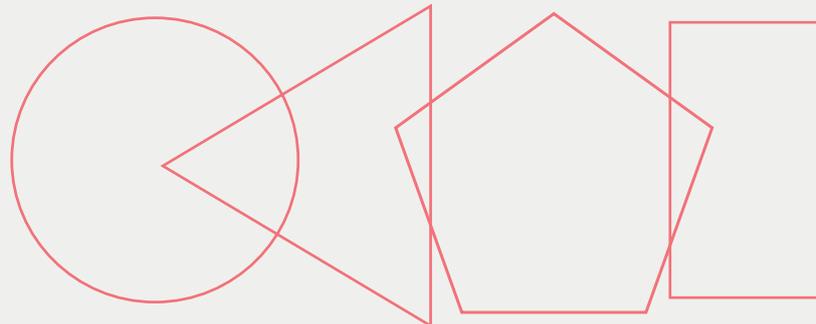
Capital City Media

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Forward Look

August 2020



Hindsight is 2020 as storm clouds brew over August

It is not atypical for markets (and current events) to have a funny August, and with coronavirus second wave fears abounding this is unlikely to change in 2020. August last year had its fair share of excitement. Let's look back before we look forward.

In August 2019, we had Boris Johnson embedding himself in 10 Downing Street amid a chaotic hung parliament and pitched battles over Brexit. The start of the month brought heavy floods in the north of England while ONS data showed the first quarterly contraction in the UK economy since 2012. In the southern hemisphere, the Amazon rainforest burned vociferously.

At the end of the month, Jacob Rees-Mogg visited the Queen in a (subsequently proved illegal) attempt to prorogue parliament while pro-EU marches gummed up the capital. It was a heady time for British politics and global current events. And yet, it was also a simpler time. But hindsight is of course 2020. There are some noticeable issues on the horizon for us though. The Government has its finger poised over the trigger to shut down so-called air bridges at the drop of a hat. The re-imposition of the 14-day quarantine for Spain came with just a few hours' notice.

The decisiveness to act will be welcome in some quarters but it has annoyed a lot of holidaymakers who will now lose money by not being able to travel, and cause potential employment or childcare issues those who are already there and for whom quarantining is a significant imposition. It will have also dissuaded others (myself included [Au revoir, Musée de la Moutarde à Dijon]) who will now defer plans for fear of a sudden change of direction.

Markets will likely have an 'interesting' month too. August tends to have a volatile performance record and fears over a second wave of coronavirus is already gnawing at investor sentiment. In 2019 the S&P 500 saw 11 +1% swings thanks to US-China trade tensions and a bond market recession signal flashing for the first time (correctly predicting it for the wrong reasons). August 2020 is likely to be no less of a puzzler.

August is not a month bereft of events either. The usual monthly happenings such as data publications go on, but we have something of a break from normal proceedings. On 1 August the government will begin its tapering of the furlough program. The redundancies have been in full swing for a while now but this will likely not improve the situation. The Eat Out to Help Out scheme kicks off on 3 August. I shall be tucking into a government-subsidised pizza myself.

We have both A Level (13 August) and GCSE (20 August) results to contend with. Both have been arrived at under a cloud thanks to coronavirus, with no examinations used to determine what grades teens will be getting. On 19 August we notably have the latest inflation stats, but this time it will set the rail fares price rise for the next year. With RPI down at 1.1% in July it could prove to be the lowest increase for rail fares since August 2015 when RPI was likewise 1.1%...not that anyone is really using trains at the moment!

And finally, we have the US Republican National Convention kicking off on 24 August. It won't be anything other than a coronation for the incumbent President. But perhaps the starter pistol for his farewell tour? Hindsight will tell. If you're off on a break, godspeed and all the best from us here at MRM and CCM.



Edmund Greaves, consultant - news and content, MRM

Silly season kicks off as Sunak considers who should foot the coronavirus bill



Paul Montague-Smith, senior counsel - public affairs, MRM

Parliament has headed off for its summer break and so we're entering 'silly season' with politics taking more of a back seat.

In the meantime, tensions between the UK and both China and Russia will likely be a rolling topic.

Following the long-delayed publication of the report into Russian interference in the UK by Parliament's Intelligence and Security Committee, we've seen the resurgence in calls to clean up London as a laundromat for dodgy money. As with China, links between UK politicians and Russian business and cultural organisations are likely to feature in the weeks ahead.

With Brexit talks stuck and the UK gearing up for no deal, the impact on business can also be expected to become more prominent. Research from the Institute for Government suggests three in five (60%) firms haven't even begun to prepare for the end of the transition period.

Oh, and there's the return of schools of course. It's at least reassuring that one leading scientist can't point to a single case of a teacher catching the virus from a pupil, not just in the UK, but globally.

Rishi Sunak will no doubt be looking forward to putting down his bazooka and having a short spell of R&R.

His ears must be ringing from the amount of ammo he's blasted to shore up businesses and individuals in recent months. Around £190bn is being spent in direct support, with borrowing expected to be up to £350bn this year and the Bank of England (BoE) providing around the same in QE.

We don't yet know if this bridging strategy is working. Andy Haldane at the BoE thinks we're seeing a V-shaped recovery. The economy appears to have recovered half of the 25% drop in output it's suffered.

But we're seeing huge job shedding that will continue

– particularly amongst SMEs – as furlough is withdrawn in October.

The £9bn retention bonus announced by the Chancellor won't have the impact needed to stem the tide. Much of it could go to firms that don't need it (and it's interesting to see some already say they won't use it, following criticism of businesses that have accessed government support in recent months).

A big question is what happens with consumer confidence and whether we enter a spiral of gloom. Perhaps we're set for a 'wonky' V shaped scenario.

So far the markets have been prepared to lend to the Government at low rates, but it knows it needs to set out a credible plan to bring the public finances onto a sustainable footing. It can't assume its borrowing costs won't rise.

So the Chancellor is now talking about the 'tough choices' ahead and has instructed departments to start the painful process of preparing for the spending review in the autumn. He has said the Government will: "Honour the commitments made in the March Budget to rebuild, level up and invest in people and places, spreading opportunity more evenly across the nation."

The battle for who will pay is starting. If not general taxpayers and consumers, wealthy asset holders? If not existing pensioners, savers who benefit from higher rate relief? If not SMEs, digital businesses? Perhaps all of them will be called upon and more.

All this of course doesn't account for the possibility of a resurgence in Covid-19 as we head into winter. I don't want to end on a downer, but some (yet to be peer-reviewed) research confirms a marked correlation between the weather and the severity of the virus, as is the case with seasonal flu.

Who knows, maybe we'll all be required to work outside from November. Perhaps I should invest in a good Parka now.

Will financial services join in with the Facebook advertising boycott?



John Empson, account manager, Capital City Media

The advertising world has begun a debate on the direction of its moral compass, with the Facebook advertising boycott.

But for financial firms, there isn't an awful lot to boycott in the first place.

Facebook and Twitter offer the cheapest way to access a mass-market audience, with the ability to use generic segmenting to hone the audience down by age, gender, demographic, and interests.

But the debate is raging about whether or not to withdraw support from social media platforms, when those platforms, and Facebook particularly, have turned a blind eye to the promotion of hate speech and extreme content, at a time when unity and collective action matter most.

Big companies like Pfizer, Microsoft, and Starbucks have all joined the boycott so far. All three were in the list Facebook's top 25 advertisers, while huge conglomerates such as Procter and Gamble have announced a comprehensive review into advertising channels.

This portends more damage on the horizon for Facebook. But Facebook founder Mark Zuckerberg seems defiant, believing this to be a small bump in the road for the social media giant. He believes big spenders will be back soon enough.

But is he right? CCM have considered how the reaction in Financial Services will unfold.

A well-known truth of financial services advertising is that as a sector we are constantly playing catchup with the latest marketing best practices. Facebook and social media have been no different.

While there has definitely been an uptick on direct-to-

consumer wealth management campaigns on social channels, large amounts of advertising budgets still goes direct to publishing houses, with the trend only recently shifting.

The debate, and potential boycott we may see from financial services firms, will in part be down to uncontrollable elements running alongside advertising. Any remotely controversial content risks raising big red flags for financial firms looking to keep a clean image.

Financial firms already lag behind in the use of programmatic advertising, and the risk of toxic content is not going to help make a change. This is only fueled further by the Facebook ad boycott.

Advisers still prefer to receive PDF's, video material, video calls (Zoom etc.), and podcasts over social media updates, a recent study conducted by Research in Finance, friends of CCM for many years, has highlighted. It found only 12% prefer to receive relevant comms through social media updates.

This same trend is evident when looking at how advisers like to receive communications from sales contacts. LinkedIn, Twitter, and Facebook are the 'favored channel' for only 0-3% of those surveyed.

With this new information on asset managers and their limited use of social media, the rolling Facebook debate will be much less of a problem for B2B, the main impact will be on mass market D2C companies and investment platforms.

But with a few high-profile companies pulling budget, and a general industry reluctance to trust Facebook's advertising, spends remain low compared to other sectors anyway. Especially with CCM's clients, there is very little budget to pull.

Two Minutes With...Stuart Williamson, Director of Communications, Nationwide Building Society

MRM catches up with Stuart Williamson, director of communications at Nationwide Building Society on how they've adapted to working from home during lockdown, and what financial services in the UK could improve



Why did you join Nationwide?

After a few years working in comms agencies, I wanted to move in-house. Financial services really appealed to me as a sector that had its fair share of opportunities and challenges.

How did you get into comms and PR?

By mistake! I started working at a great local comms agency in Cheltenham, where I grew up, with clients like the Territorial Army and Cheltenham Racecourse, and was hooked!

How has the current lockdown and coronavirus affected Nationwide?

In a really positive way. We've proven we're able to do many of things we've sometimes questioned, like really moving at pace to get things done, and reaffirmed others, like the fact that the Society cares deeply for its employees and its members (we're owned by our customers).

There have been some darker moments too, unfortunately, where many of our branch teams have been on the receiving end of some pretty awful verbal and aggressive behaviour from a minority of customers, as have other high street-based organisations.

How do you think the financial services industry has been affected?

The sector is much stronger through the capital it has had to build up over the last ten years. This also means we're able to respond by helping people when they have needed it the most.

What have been your biggest comms challenges?

Dealing with the unknown – there was no precedent for this. It was also a real challenge to know where the next change in direction was going to come from, including the daily Government press conferences.

How has it changed your working habits?

As a team we've learned that we don't always need to

be in the same room, and I have really seen the power of agile working. I hope and believe this will change our ways of working for good, enabling people to work in a way that better suits them.

It will also mean that businesses can search further for talent.

Once lockdown is over, what do you think will change?

I think while we've spent most of our time apart, the need for community and the need to help those around us has never been more important.

What positives on a personal level have you taken from the experience?

The massive positive for me is working from home. I've also learned a huge amount from this whole experience.

What does financial services get right in the UK?

What we've remembered from this crisis is that it's an essential service, to the point where branch and contact colleagues were designated essential workers. I'm not sure we'd thought about our industry like that before.

If you could give a younger version of yourself one piece of financial advice, what would it be?

Get saving, no matter how much. Now!

What three things would you do if you were head of the FCA or Prime Minister for the day?

Create greater powers to protect those working on the frontline of our high streets and shops (see one of my previous answers).

Do everything possible to help younger families through this crisis (while continuing to spin all the other plates). Have a day off (we're all human).

What is the one column or website that you read every day?

The Red Box Daily email from the Times, Politico and Today on Radio 4.

Why are so many brands bad at social media? Because they're not authentic



Paul Beadle, associate director & head of social and digital, MRM

Social media platforms are rightly held to account for toxic content now, but major firms still don't strike the right tone.

Some of the world's biggest brands are pulling their advertising from Facebook in protest at the company's lack of progress in stemming hate speech and misinformation on the platform.

The boycott includes global brands like Starbucks and Adidas. Interestingly, they still have their Facebook pages live, so it's not a total boycott.

Is this an attempt to wield a bit of influence by withholding advertising dollars, or are companies just running for cover as Facebook wrestles with the spread of toxic content?

As the platform becomes an ideological battleground during the upcoming US election campaign, it's likely advertisers don't want to get caught up in the middle of all the mudslinging and name-calling.

But this controversy is nothing new. Back in 2013 Facebook was called out by the Everyday Sexism Project for turning a blind eye to pages showing images of violence towards women.

Everyday Sexism targeted brands who were advertising on the platform and whose ads would inadvertently appear alongside the pages in question.

I was heading up social media at Nationwide Building Society at the time and we quickly pulled our ads. We called on Facebook to make changes, becoming an active part of the advertising industry group that developed a new digital code of conduct.

Seven years on and it seems like the problem is back, but in truth it never went away. Social media companies are being rightly held to account to manage some of the worst excesses and stop the bad actors, but ultimately this is a huge beast with millions of comments being added every day.

The challenge for the social media platforms is that they are damned either way. If they cite 'freedom of speech' in their decisions to allow content to stand, they are pilloried.

When they ban users, as Twitter did recently with Katie Hopkins, or put warning labels on content, such as Donald Trump's posts, they're accused of censorship.

But what I find really interesting about all of this is just how bad many organisations still are when it comes to using social media.

The Facebook boycott shows that big brands are still nervous of a channel they know they need to engage with but are worried they can't control in the way they can with other forms of marketing.

Look at Blackout Tuesday, a day of action in response to the death of George Floyd. The original intention was for the US music industry to blackout all promotional activity for the day and replace it with anti-racism information using the hashtag #TheShowMustBePaused.

Instead companies, celebrities and ordinary folk posted black squares on their social feeds, tagging #BlackLivesMatter, defeating the object of the campaign.

“The challenge for the social media platforms is that they are damned either way. If they cite ‘freedom of speech’ in their decisions to allow content to stand, they are pilloried.”

Kudos then to Yorkshire Tea which, not only admitted it hadn't taken part in Blackout Tuesday because it was "taking time to educate ourselves" about racism, it did so by dissing a right wing blogger by telling her not to buy its tea.

Now this was hardly a hammer blow in the battle against racism, but it was smart and brave marketing. If you know anything about Yorkshire Tea's social media, you'll also know this was an authentic tone of voice.

For me that's the main reason why so many brands are poor on social media. They are not authentic and present themselves online in a way that doesn't reflect what's actually going in the business.

Don't tweet about your commitment to diversity and then be surprised if you get called out because your annual report reveals that your board is almost exclusively white men. If you're Virgin Media, don't post a 'we're all in it together' style video about the virtues of your broadband during lockdown if your customers are

struggling to get a decent service while working from home.

In my first ever experience of presenting a social media strategy to a board several years ago, I was asked "how do we turn it off if we don't like what people are saying about us?" My answer then, as now, is that you don't.

Social media can be a very powerful communications channel because it connects you directly with the people you want to talk to. But it needs to be built on the principles of authenticity, transparency and honesty that should be at the heart of every business.

If you can't demonstrate those values – if you can't be open and honest with your audience – then don't try to fool them on social media. People will sniff it out, challenge you and hold you to account.

And very quickly your clever social media campaign will turn horribly wrong.



Bad data, second waves and presidential elections: what next for markets in 2020



Nick Paler, associate director & head of news and content, MRM

Few of us will forget the first half of 2020, which has been dominated by one of the worst pandemics ever witnessed.

Unfortunately, so far the virus has claimed more than half a million lives and infected millions more.

As countries begin to emerge from lockdown, it is clear that much of what we have seen so far could be repeated again in the second half, and only a vaccine will bring true peace of mind.

Markets are a leading indicator of sentiment and therefore the extreme price movements we have seen this year in response to the outbreak speak for themselves.

Trying to judge prices and outlooks has become nigh on impossible across many industries where there simply isn't any data to turn to, as shops and offices have been closed.

Nonetheless, the response from central banks and governments has seen many indices rebound sharply.

The FTSE 100 shed more than a third of its value as COVID hit, but has rallied back somewhat to sit around 19% lower year-to-date.

Meanwhile the S&P 500 – which also suffered a steep tumble – has rallied so sharply that it sits just 5% off its starting level for the year.

Ascertaining where we go from here is far from straight forward, but there are some areas we can turn to which give us something of a guide.

"Data has been unprecedentedly bad in 2020," says Daniel Casali, chief investment strategist at Smith & Williamson Investment Management.

"However, economists are confident of a recovery in 2021 with consensus suggesting a recovery for real GDP"

Casali says that is why markets have recovered, with investors' faith in an economic re-emergence from lockdowns clear to see.

The past data from recessions – albeit different in nature to this one – is showing signs of being mimicked in this downturn, he says.

"Over the last seven recessions, equities have troughed 2.7 months before the recession ended. We believe this to be happening now, with the current market bottom, 23rd March, being 2.9 months ago," Casali says.

"The strong rebound by global equity markets has basis, both historically and from high frequency data.

"It is supported by economic forecasts and discounts a global recovery, and we are beginning to see this recovery manifesting itself through a variety of indicators.

"Of course, winners and losers will appear and the risk of economic activity taking a while to return to pre-COVID levels remains.

"Nevertheless, if economies can avoid nationwide lockdowns again, we remain confident in the economic recovery."

“Trying to judge prices and outlooks has become nigh on impossible across many industries where there simply isn’t any data to turn to, as shops and offices have been closed

John Husselbee, head of multi-asset at Liontrust Asset Management, thinks caution should remain the watchword for investors trying to pick their way through this environment, although he thinks the depths of this downturn may not be revisited.

“We believe markets are running substantially in advance of fundamentals and this disconnect had tempered our desire to increase risk for our portfolios.

“Markets and investors are failing to weigh the positives and negatives of current conditions dispassionately, with policy easing and liquidity injections seen as far more important than ongoing uncertainty, and, for us, that has to call the longevity of the rally into question.

“But we would not expect another collapse as happened in March given the level of state intervention and ‘whatever it takes’ attitude.

Vincent McEntegart, investment manager at Kames Capital, agrees that the rebound so far should not be interpreted as “normal service will resume shortly”.

“Clearly it won’t,” he says.

“Market indices are instead reflecting the scale of

liquidity that central banks have provided to keep markets functioning.”

McEntegart says the next headwind for markets to contend with will be GDP growth for Q2 which will “be the worst we’ve seen in our lifetimes.”

“Unemployment numbers also look set to rise as governments scale back the furlough schemes that are providing life support for millions,” he adds.

As for a “second wave”, McEntegart says here the news is a little better, as it is currently assumed to slow the recovery but not derail it completely.

Nonetheless, he warns there remain other big unknowns from both the ongoing trade war between China and the US, and the US Presidential Election.

“As well as the risk of a second wave, the US election in November might be preceded by increased trade war risks and/or further stimulus to improve Republican chances of winning.

“As we wave goodbye to the first half of 2020, let’s hope we never see its like again.”

“If economies can avoid nationwide lockdowns again, we remain confident in the economic recovery



Dates for your diary...

KEY

- Economy, Insurance & Investing
- Mortgages & Housing
- Public Policy & Regulation
- Pensions & Benefits
- Other

1/8/2020 Government begins tapering its contribution to the furlough scheme

3/8/2020 CIPS / Markit Manufacturing PMI

3/8/2020 First day of the Eat Out to Help Out scheme

5/8/2020 CIPS / Markit Services PMI

5/8/2020 Access to Work statistics: April 2007 to March 2020 (DWP)

5/8/2020 UK productivity analysis (ONS)

6/8/2020 Help to Buy ISA scheme Quarterly Statistics (HM Treasury)

6/8/2020 Bank of England Monetary Policy Report

6/8/2020 CIPS / Markit Construction PMI

6/8/2020 UK interest rate decision

6/8/2020 KPMG and REC UK Report on Jobs

7/8/2020 Halifax House Price Index



Dates for your diary...

10/8/2020 UK Regional PMI

10/8/2020 Personal and economic well-being in the UK: August 2020, Q3 (ONS)

10/8/2020 CIPD Labour Market Outlook

11/8/2020 National Business Awards UK shortlist announcement

11/8/2020 Barclaycard Consumer Spending Data monthly figures

11/8/2020 UK monthly unemployment figures (ONS)

11/8/2020 Earnings and Employment Statistics from Pay As You Earn (PAYE)

12/8/2020 First quarterly estimate of GDP (ONS)

12/8/2020 Monthly GDP estimates (ONS)

12/8/2020 Long-term interest rates statistics (ECB)

12/8/2020 UK productivity flash estimate (ONS)

12/8/2020 Banking Technology Awards entry deadline

KEY

Economy, Insurance & Investing

Mortgages & Housing

Public Policy & Regulation

Pensions & Benefits

Other



Dates for your diary...

12/8/2020 Coronavirus and the impact on output in the UK economy: June 2020 (ONS)

13/8/2020 Government consultation on UK internal market principles closes (BEIS)

14/8/2020 The Global Responsible Business Awards entry deadline

14/8/2020 EU reveals latest growth figures

15/8/2020 HMRC consultation on revisions to its charter closes

17/8/2020 Markit Household Finances Index

17/8/2020 Rightmove Monthly House Price Index

18/8/2020 Card Spending statistics (UK Finance)

19/8/2020 Visa's UK Consumer Spending Index

19/8/2020 Prices economic commentary (ONS)

19/8/2020 UK monthly inflation figures (ONS)

19/8/2020 Euro area balance of payments (ECB)

KEY

- Economy, Insurance & Investing
- Mortgages & Housing
- Public Policy & Regulation
- Pensions & Benefits
- Other



Dates for your diary...

19/8/2020 Forecasts for the UK economy statistical release (HM Treasury)

19/8/2020 Reactions London Market Awards online presentation

19/8/2020 HM Treasury consultation on the tax treatment of asset holding companies in alternative fund structures closes

20/8/2020 FSTech Awards open for entries

20/8/2020 HM Treasury consultation on updating the UK's Prudential Regime before the end of the Transition Period closes

21/8/2020 Cover Excellence Awards intermediaries entry deadline

21/8/2020 UK monthly retail sales figures (ONS)

21/8/2020 Monthly number of property transactions (HM Treasury & Customs)

21/8/2020 Public sector finances (ONS)

21/8/2020 Flash UK PMI

21/8/2020 HM Treasury consultation on the Reform to Retail Prices Index (RPI) Methodology closes

25/8/2020 Work Programme statistics (DWP)

KEY

Economy, Insurance & Investing

Mortgages & Housing

Public Policy & Regulation

Pensions & Benefits

Other



Dates for your diary...

25/8/2020 Fiduciary Management & Investment Governance for Pension Funds Conference

25/8/2020 Zoopla UK Cities House Price Index

25/8/2020 Barclaycard Small Business Barometer

26/8/2020 Working and workless households in the UK (ONS)

27/8/2020 UK monthly automotive manufacturing figures

27/8/2020 HMRC consultation on notification of uncertain tax treatment by large businesses closes

28/8/2020 Nationwide House Price Index

28/8/2020 Lloyds Bank Business Barometer

28/8/2020 UK Consumer Confidence Survey (GfK)

30/8/2020 CBI Growth Indicator Survey

KEY

- Economy, Insurance & Investing
- Mortgages & Housing
- Public Policy & Regulation
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- Other



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