

Cumberland Advisors Market Commentary – A Very British Affair – Living with COVID-19 in the UK

Kevin Humphreys is a long-time commentary subscriber from the other side of the pond. He is a London-based independent financial market analyst and commentator with 23 years of trading and management in tier 1 UK banks followed by another 10 years in broking, management and market analysis roles, specializing in Eurozone and UK markets. Kevin has given us permission to share his letter, a perspective that is intended to give our readers “a flavour of what is REALLY happening in the UK.” We thank Kevin and wish him safety and health. -David

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While the world battles COVID-19 at the highest levels with unprecedented application of science, co-operation, selflessness and financial support it is perhaps worth taking the time to step back and look at how one small, though mighty, nation is faring in lock-down.

The UK, like much of the world, was a mere onlooker in the early days of the COVID-19 pandemic and even in early February, when cases were recorded within borders and the first positive test of a Brit at home was confirmed, very little really changed in daily life. This reflected in the national newspaper front pages of the time, on Friday February

7th headlines spoke of political battles around the topics of resource funding for police and National Health Service maternity units, while in the business world the FTSE 100 index of leading shares drifted along around 7400, a mere 2.7% lower than the year-to-date high recorded back in mid-January.

Wind the clock forward 3 weeks to Feb 28th and UK stock markets had begun to feel the chill from the increasingly rapid spread of COVID-19 around the globe, with a lurch down below 6600 representing a now 14% drop from 2020 highs. That said, newspapers of the day led with Prime Minister Boris Johnson's hardball stance with the EU on Brexit, the Heathrow airport expansion saga and Harry and Meghan (of course), with just 1 in 2 touching on COVID-19 to any degree on their front pages.

For many in the UK it will be 3 weeks later from then, Friday 20th March, that will stick most in the memory, not because strong hints of a more restrictive government policy change had contributed to the daily stock market hammering which now saw the FTSE 100 32% lower than its January highs but because that was the day PM Boris closed the pubs (and restaurants and other hospitality businesses). The live televised announcement on the daily government briefing to the nation at around 5 p.m. that such premises should close '*as soon as is practicably possible*' prompted an outpouring which saw the majority of such establishments rammed to the rafters, followed by a warm weekend which saw thousand pack into parks, beaches and other open spaces, completely defeating any calls for effective social distancing as a weapon to slow the spread of the virus. This in turn led to lockdown Monday, March 23rd.

The days and weeks following this saw many businesses close temporarily, workers furloughed under the UK government support scheme, essential businesses such as pharmacies and food outlets introduce effective social distancing measures and open spaces policed as the government worked tirelessly to

get the message across, with well-documented pressure on the NHS and a rising death toll acting as effective reminders to any doubters.

In reality then, having seen just a little over a week of *effective* lockdown in the UK, the question is, where do we go from here?

To get a feel of this we need to only look at the theme of questions that follow the live daily government briefings. That theme of late has invariably begun with testing, testing, testing which is understandable as the government have insisted throughout that it is science which would shape the response, though the growing daily theme is now becoming the lockdown review, something Boris will now surely regret having touted as 3 weeks from introduction, being Monday 13th April.

With the UK yesterday reporting 854 new deaths from COVID-19 in the previous 24 hours (the highest to-date) and many respected analysts openly questioning the degree of under and delayed reporting in the statistics, what we know for certain is that lockdown UK will not be coming to an end anytime soon, and neither should it.

The problem there is that as much as UK Chancellor Rishi Sunak introduced a swathe of measures on March 20th and again on 26th few have actually filtered through in terms of hard financial support to either businesses or individuals. While banks, lenders and landlords, pressured by government, have been supportive thus far, as each week passes the strains will become more intense.

Effective lockdown is proving to be essential to slow and eventually stall the killer that is COVID-19 and while the UK has at present embraced lockdown and all that brings with it for business, family and individuals the government need to be aware of the fact that while managing expectations and behaviours around lockdown in week 3 is challenging, weeks 4,

5, 6, 7 and 8 will be a whole new ball-game altogether.

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