



GWM USA

The week in review



# The Emperors of the Online Economy

LATEST



With a large amount of news for investors to digest this week, stock markets were flat whilst bond yields fell and gold rallied.

At the margin, COVID-19 news was negative this week. California entered the US ICU Severity Index, which helped it rise to 45% from 35% last week. As regular readers will remember, the higher the number, the worse the situation. In addition, it appears the virus is spreading in Europe and other countries once more, such as Australia and Japan, albeit more localised outbreaks.

The Federal Reserve meeting contained no surprises. The Fed promised continuing easy financial conditions the day before investors learnt that US GDP fell 9.5% in Q2, the biggest drop on record. Combined with German GDP contracting more than expected in Q2, stocks fell some 1% on Thursday, cancelling out gains for the week.

**On Wednesday, the CEOs of Facebook, Apple, Amazon and Google endured a five-hour grilling during a Congressional antitrust hearing. When Mark Zuckerberg, the CEO of Facebook, made his first appearance in front of Congress in April 2018, this weekly note reported: "some members of Congress exhibited a lack of understanding as to what Facebook actually does, the technology it uses and the way it makes money." In short, Congress seemed toothless.**

Continued on page 2



GWM USA

Helping To Secure Your Future. Wherever You Are Today.



This time around, there was no such let-off for the four men one Congressional member referred to as “the Emperors of the online economy”. Zuckerberg was confronted with internal emails discussing “neutralising” a competitor and gloating about Facebook’s ability to “buy any competitive start-up” that it wished. Amazon came under fire for its treatment of third-party sellers and use of these sellers’ data to inform Amazon’s business decisions about its own products. Tim Cook, the CEO of Apple, was forced to defend accusations of using the App Store for “pandemic profiteering”.

The antitrust hearing occurred in the same week that the Trump administration filed a petition requesting additional rules to clarify Section 230, a piece of legislation that grants social media companies immunity from being sued for content which appears on their platforms, or for removing content.

With attacks mounting on technology companies, which have outperformed over the past several years, it is conceivable that non-US stocks and the value risk premium can begin to outperform. However, with strong Q2 earnings for all four companies mentioned above, tech stocks keep on exhibiting the earnings growth that has underpinned their stellar returns.

### On the other side of the Atlantic

UK government bond yields fell to an all-time low, 0.07%, on Thursday. With yields in the UK so close their effective lower bound and elsewhere (German bunds now yield -0.5%), many investors face a dilemma on which bonds to own. Higher yielding developed market bonds do exist, such as the US Treasury bond yielding 0.5%, but these still seem pretty paltry. One asset class that has gained some attention is emerging market government bonds, hedged back to the investor’s base currency so as to ensure minimal emerging market currency risk. There are two relatively unknown data-points when it comes to emerging market government bonds. The first is on a hedged basis, emerging market government bonds have exhibited a lower volatility than developed market peers (roughly 3.5% relative to 4%). The second is as a group, emerging market countries have a lower debt to GDP than developed market peers. This combination makes emerging market government bonds attractive relative to lower-yielding, developed market government bonds.



The opinions and interpretations of the market and economy are solely the opinion of the author of this article. This information is provided to you as a resource for educational purposes only and should not be considered investment advice or recommendation. This information is not intended to, and should not, form a primary basis for any investment decision that you may make. Always consult your own legal, tax, or investment advisor before making any investment/tax/estate/financial planning considerations or decisions. There are no guarantees of investment performance.

GWM USA LLC is part of the GWM Group for all Group regulatory details please visit <https://www.gwm-usa-llc.com/regulations>. GWM USA LLC advisors are advisory representatives and conduct advisory business through Beacon Global Advisor Network, LLC. (BGAN, a registered investment adviser with the Securities and Exchange Commission (SEC).

SEC number : 801-110724 : CRD number is 288833. Registration with the SEC does not imply a certain level of experience or education and does not mean the SEC approves or endorses BGAN.

