

Show some metal

ALGY HALL

A noteworthy feature in the Ideas Farm over recent months has been the frequent presence of shares in gold miners in our tables monitoring broker upgrades and share prices testing 52-week highs. This is a reflection of a rising gold price and the growing consensus that there is more to come. Yet a sharp sell-off this week serves as a reminder of the speculative nature of these investments. Despite gold's reputation as a safe haven and hedge against all manner of woes, for most investors the yellow metal is not an appropriate portfolio mainstay.

The current allure of gold is a symbol of the strange times we live in. An unusual concoction of economic conditions and expectations exist as a result of the response to coronavirus. All of them seem to favour gold. These include: expectations of rising inflation; rock-bottom interest rates; a global recession; and a growing belief the dollar will devalue. Classic economics would suggest such a range of conditions are highly

unlikely to co-exist. High inflation expectations, for example, are normally associated with rising interest rates rather than near-zero ones. Global recessions, meanwhile, are often associated with a rush to the safety of the dollar not away from it.

However, the presence of so many seemingly contradictory factors has been made possible due to enforced economic inactivity, coupled with government stimulus, and most significantly, massive bond purchases by central banks. These bond purchases keep interest rates low while flooding the system with new money that has the potential to stoke inflation.

Given gold does not pay out any income, lower interest rates on government bonds makes its zero yield relatively more attractive. Meanwhile, gold has long been regarded as a hedge against both inflation and dollar weakness, and it is often seen as a store of value in hard economic times. A key reason for gold's reputation as an inflation and dollar hedge is that unlike 'fiat' currencies, it is hard to boost supply. However, another way it differs from 'fiat' currencies is that there is no legal basis for its use in exchange. Indeed, the conundrum for

gold bugs is that beyond the perceived value put on the metal by investors, there is fairly limited practical use for the stuff.

This means gold's apparent safety as a hedge tends to go hand in hand with price volatility. For shares in gold miners, the volatility is magnified by the fact that because their production costs are largely fixed their profits are sensitive to movements in the metal's price. Over the past week, some relatively innocuous vaccine news and a rise in US treasury yields have been cited as factors causing a sharp correction. Meanwhile the VanEck Vectors Gold Miners ETF, which tracks gold miner shares, has plunged 12.2 per cent.

While strong arguments can be made that inflation lies ahead, the same was true last time gold surged during the credit crunch but expectations were ultimately confounded. Circumstances are different this time, with much of the money being created by central banks ending up in people's pockets rather than on bank's balance sheets, but that does not necessarily mean the outcome will be different. Sadly, the future remains stubbornly unpredictable and gold is likely to remain volatile.

Fund manager best ideas: UK all companies

Based on top 3 most overweight

Future	5	Clinigen	1
Liontrust Asset Management	5 (+1)	CVS	1
Spirax-Sarco Engineering	4	Dechra Pharmaceuticals	1 (-1)
Boohoo	3	Diploma	1
Electrocomponents	3 (+1)	Domino's Pizza	1 (-1)
Homeserve	3 (-1)	Experian	1 (NEW)
Prudential	3	Games Workshop	1
Sage Group	3 (-1)	GB Group	1
TP ICap	3	Hargreaves Lansdown	1 (NEW)
Avon Rubber	2 (-1)	Helios Towers	1 (NEW)
B&M European Value Retail SA	2 (NEW)	Hikma Pharmaceuticals	1
Barclays	2 (+1)	Hilton Food	1
Breedon	2 (-1)	IWG	1 (NEW)
Daily Mail & General Trust Class A	2 (-1)	JD Sports Fashion	1 (NEW)
Dunelm Group	2 (+1)	Keywords Studios	1 (NEW)
Frontier Developments	2	Kingfisher	1 (NEW)
GlobalData	2	Lancashire Holdings	1 (NEW)
Halma	2	London Stock Exchange	1
IntegraFin	2	Morrison (Wm) Supermarkets	1
Lloyds Banking	2	Pearson	1 (NEW)
Ocado	2 (+1)	Phoenix Group	1 (NEW)
Pets at Home	2 (+1)	Rathbone Brothers	1
QinetiQ	2	Redrow	1
RELX	2	Rentokil Initial	1
RWS	2	Rightmove	1
Schroders	2	Royal Dutch Shell B	1
Serco	2 (+1)	Spirent Communications	1 (-1)
YouGov	2 (+1)	Standard Life Aberdeen	1
Admiral	1	Tesco	1 (-2)
Anglo American	1 (NEW)	Trainline	1 (NEW)
Ascential	1	Ultra Electronics	1 (NEW)
Ashtead	1	UNITE Group PLC	1
ASOS	1 (NEW)	Victrex PLC	1 (NEW)
Beazley	1 (NEW)	Vistry Group PLC	1 (-1)
Bellway	1	Watches of Switzerland Group PLC	1
Berkeley Group	1		
Centamin	1		

Source: Morningstar, as at 12 August 2020

New 52-week highs

Name	TIDM	Price	% from high
Bunzl	BNZL	2,374p	0.0%
AO World	AO	184p	0.0%
Augmentum Fint	AUGM	117p	0.0%
Best of the Best	BOTB	1,800p	0.0%
Croda International	CRDA	5,906p	0.1%
Kingfisher	KGF	271p	0.1%
Herald Investment Trust	HRI	1,708p	0.2%
Hipgnosis Songs	SONG	123p	0.4%
Capital Gearing Trust Plc	CGT	4,490p	0.7%
RWS	RWS	715p	0.7%
Montanaro Europn Small Tr	MTE	1,360p	0.7%
Avast	AVST	600p	0.7%
IntegraFin Holdings	IHP	555p	0.9%
Renishaw	RSW	5,290p	1.0%
Spirax-Sarco Engineering	SPX	10,660p	1.1%
YouGov	YOU	850p	1.2%
JLEN Env Assets Group	JLEN	123p	1.2%
Antofagasta	ANTO	1,113p	1.2%
Schroder Asian Total	ATR	389p	1.3%
BBGI	BBGI	170p	1.3%
CQS Natural Resources	CYN	95p	1.3%
KAZ Minerals	KAZ	590p	1.3%
Tritax Big Box	BBOX	160p	1.4%
Luceco Plc	LUCE	160p	1.4%
Ocado Group	OCDO	2,238p	1.4%
Pacific Horizon Invnt Tr	PHI	540p	1.5%
Hastings Group Holdings	HSTG	252p	1.5%
XP Power	XPP	4,480p	1.5%
Concurrent Technologies	CNC	124p	1.6%
Baillie Gifford Shin	BGS	194p	1.6%
Softcat	SCT	1,384p	1.6%
B&M European Value Retail	BME	482p	1.6%

Source: FactSet, as at 12 August 2020

New 52-week lows

Name	TIDM	Price	% from low
Reach	RCH	54p	1.3%
Real Estate Investors	RLE	28p	2.3%
TOC Property Backed Lndng	PBLT	86p	2.9%

Source: FactSet, as at 12 August 2020

Shorts

Company	Short interest	No of shorters	1-week change in short interest
Hammerson	14.4%	11	0.5%
Royal Mail	9.6%	8	0.0%
Metro Bank	9.3%	5	0.4%
Cineworld	8.8%	9	0.0%
Premier Oil	8.7%	3	0.0%
Tullow Oil	7.6%	5	-0.2%
Sainsbury (I)	7.0%	6	0.2%
Pearson	6.2%	5	-0.3%
Petrofac	5.6%	4	-0.5%
Domino's Pizza	5.5%	7	-0.1%
Blue Prism	5.0%	5	0.0%
Babcock Intl	5.0%	3	0.1%
Pets At Home	4.9%	2	0.0%
IQE	4.7%	3	-0.1%
Petropavlovsk	4.6%	1	-0.9%
Future	4.6%	3	0.0%
Tui Ag	4.5%	5	-0.4%
Weir Group	4.4%	5	-0.9%
Dignity	4.2%	3	0.2%
Vodafone	4.0%	4	0.0%
Ascential	4.0%	5	0.5%
Wm Morrison Supermarkets	3.9%	4	-0.1%
Croda International	3.8%	4	0.0%
Micro Focus International	3.6%	3	0.0%
GVC	3.6%	5	0.5%
Ashmore	3.5%	4	0.0%
Wood Group (John)	3.5%	6	0.0%
Keywords Studios	3.5%	4	0.0%
Intercontinental Hotels	3.5%	3	0.7%
Capita	3.4%	4	0.2%
Marks & Spencer	3.2%	2	0.0%
Hurricane Energy	3.1%	3	0.0%
Primary Health Properties	3.1%	4	0.0%
Smith (David S)	3.0%	4	-0.6%
Ultra Electronics	3.0%	1	0.0%
Aggreko	2.9%	3	-0.1%
Victrex	2.9%	3	0.1%
Restaurant Group	2.9%	3	0.0%
Valaris	2.8%	1	0.0%
Auto Trader	2.6%	4	0.0%
Hiscox	2.5%	2	0.0%
AG Barr	2.4%	3	-0.6%
Vitec	2.4%	2	New
Crest Nicholson	2.4%	3	New
AA	2.3%	2	-0.2%

Source: FCA, as at 12 August 2020

1-month EPS upgrades (top 25)

Name	TIDM	FWD EPS CHG		
		1mth	3mth	1yr
ASOS	ASC	309.7%	-	66%
Barclays	BARC	181.3%	12.5%	-81%
Belvoir Group	BLV	141.0%	141.0%	18%
Hochschild Mining	HOC	140.3%	-7.8%	-19%
Beazley	BEZ	135.2%	131.9%	-80%
ZOO Digital	ZOO	77.4%	73.1%	-62%
Sylvania Platinum	SLP	74.2%	30.5%	139%
Wincanton	WIN	64.5%	-39.1%	-40%
Luceco Plc	LUCE	63.1%	165.0%	18%
EKF Diagnostics	EKF	58.6%	111.3%	131%
LoopUp	LOOP	57.8%	57.8%	133%
CVS	CVSG	57.6%	21.4%	-14%
Next	NXT	55.3%	14.5%	-62%
Atalaya Mining	ATYM	50.5%	100.3%	-27%
Allergy Therapeutics	AGY	50.0%	-	-
LSL Property Services	LSL	49.0%	0.9%	-21%
Hollywood Bowl	BOWL	44.7%	-18.2%	-75%
Panopoly	TPX	38.5%	38.5%	2%
Blanco Technology	BLTG	37.9%	20.8%	31%
Wey Education	WEY	33.3%	33.3%	-
Redcentric	RCN	32.7%	32.7%	44%
Fresnillo	FRES	32.4%	55.2%	54%
Gear4music	G4M	31.6%	241.8%	436%
Clipper Logistics	CLG	30.2%	27.4%	-
Kainos	KNOS	30.1%	19.9%	19%

Source: FactSet, as at 12 August 2020

1-month EPS downgrades (top 25)

Name	TIDM	FWD EPS CHG		
		1mth	3mth	1yr
Syncona	SYNC	-99.8%	-	-100%
Hunting	HTG	-95.4%	-99.7%	-100%
Melrose Industries	MRO	-87.7%	-92.4%	-97%
Gem Diamonds	GEMD	-87.0%	-89.0%	-97%
Stagecoach	SGC	-77.3%	-77.7%	-82%
ScS	SCS	-72.0%	-20.2%	-86%
Victoria	VCP	-65.7%	-68.2%	-74%
Appreciate	APP	-58.0%	-58.0%	-59%
Mears	MER	-57.7%	-66.0%	-70%
Bigblu Broadband	BBB	-52.3%	-52.3%	2%
IG Design	IGR	-50.4%	-50.4%	-53%
Ascential	ASCL	-48.9%	-67.7%	-88%
Jadestone Energy	JSE	-48.8%	-	-99%
Kenmare Resources	KMR	-46.5%	-66.2%	-81%
Shearwater	SWG	-45.1%	-34.8%	-33%
Keystone Law	KEYS	-42.4%	-49.5%	-62%
Vitec	VTC	-41.1%	-78.7%	-91%
PageGroup	PAGE	-39.4%	-77.5%	-94%
U & I	UAI	-38.0%	-	-81%
Countryside Properties	CSP	-37.5%	-52.1%	-61%
Frenkel Topping	FEN	-35.7%	-35.7%	-31%
Franchise Brands	FRAN	-34.3%	-34.3%	-
MITIE	MTO	-33.9%	-59.9%	-66%
Trifast	TRI	-32.0%	-31.6%	-51%
H&T	HAT	-31.1%	-31.4%	13%

Source: FactSet, as at 12 August 2020