

The new Cold War

NILUSHI KARUNARATNE

The US and China are currently locked in a battle for global supremacy and even a deadly pandemic has failed to prevent tensions from ratcheting up. Arguably on an inevitable collision course, the pressure has been amplified by US president Donald Trump's trade war. As Mr Trump seeks to redress perceived imbalances, the repercussions have reverberated across international equities markets.

A key battleground is technology, and companies are finding themselves increasingly caught in the middle of this superpower struggle. Recently we have seen a step-up in the campaign against Huawei, TikTok has found itself at the centre of a national security storm and US tech players are navigating how to conduct business in Hong Kong and mainland China while satisfying both Washington and Beijing.

A new report by Deutsche Bank says we could ultimately end up with a "tech wall" – parallel US and Chinese tech regimes that split the world into two camps. If this 'tech cold war' continues unabated, Apjit Walia, Deutsche Bank's global head of tech strategy, says it could cost \$3.5 trillion (£2.7 trillion) over the next five years to decouple existing tech infrastructure.

As this cold war unfolds, it has spurred a 'homecoming' for Chinese companies, particularly as US political machinations seek to limit their access to capital markets. E-commerce giants **Alibaba (US:BABA)** and **JD.com (US:JD)** and videogames maker **NetEase (US:NTES)** have already added secondary listings in Hong Kong, and more are expected to follow. Ant Financial – which operates Alipay, the world's largest mobile and online payments platform – is forgoing the US for concurrent IPOs in Hong Kong and Shanghai and could make a \$200bn market debut.

Amid the rush of new listings, the Hong Kong exchange has launched a new benchmark for tech stocks. Tracking 30 companies in total, the Hang Seng Tech Index (HSTI) includes some of China's most valuable businesses. The biggest constituents – Alibaba, internet giant **Tencent (HK:0700)**, food delivery platform **Meituan Dianping (HK:3690)** and smartphone maker **Xiaomi (HK:1810)** – have a combined market capitalisation above \$1.5 trillion and comprise a third of the value of the new index. Using historical prices, the HSTI would have been up by close to 50 per cent so far this year compared with just a 17 per cent gain for the Dow Jones US Technology Index.

Exchange traded funds (ETFs) to track the

HSTI's performance are now likely to emerge. As we begin to see a trickle away from the US, such ETFs would widen the options to gain exposure to Chinese tech stocks. With Muddy Waters notching up another win against **Luckin Coffee (US:LK)**, UK investors may well be nervous about looking to China. Although if you peruse the ideas farm this week, you'll see that Alibaba and Tencent both feature in the list of fund managers' top global tech favourites. Indeed, both are holdings of the **Polar Capital Technology Trust (GB0004220025)**, which currently straddles both sides of the aforementioned 'tech wall'.

Sticking to the tech theme, in this week's tips section you will find **Computacenter (CCC)** (see page 35). With a surge in demand for IT equipment and services to enable remote working, analysts have turned more bullish on the company's prospects, bumping up their earnings forecasts.

Meanwhile pharma giant **Roche (CH:ROG)** – another top fund manager pick – should also be able to capitalise on the current situation through its Covid-19 testing kits, complementing its wider portfolio of therapies and diagnostic tools (page 34). Elsewhere, retailer **Topps Tiles (TPT)** could experience a boost from the stamp duty cut (page 36), while **Touchstone Exploration (TXP)** has the potential to float higher as its Cascadura onshore gas project moves towards production (page 37).

Fund manager best ideas: Global technology

Based on top 5 holdings

29/07/2020	No of funds		
Microsoft Corp	7 (-1)	Tencent Holdings Ltd	2 (+1)
Amazon.com Inc	6 (+1)	Cisco Systems Inc	1
Alphabet Inc A	4 (-1)	CrowdStrike Holdings Inc Class A	1
Facebook Inc A	4	Micron Technology Inc	1
Visa Inc Class A	4	MongoDB Inc Class A	1 (NEW)
Alphabet Inc Class C	3 (-1)	PayPal Holdings Inc	1 (NEW)
Advanced Micro Devices Inc	2	Salesforce.com Inc	1
Alibaba Group Holding Ltd ADR	2 (+1)	Synopsys Inc	1
Mastercard Inc A	2	Tesla Inc	1
		Western Digital Corp	1 (NEW)
		Source: Morningstar	

New 52-week highs

Name	TIDM	Price	% from high
JTC	JTC	485p	0.0%
Gresham House	GHE	693p	0.4%
Civitas Social	CSH	114p	0.5%
Clipper Logistics	CLG	338p	0.6%
Games Workshop Group	GAW	9,375p	0.8%
Octopus Renewables Infra	ORIT	114p	0.9%
Capital Gearing Trust Plc	CGT	4,480p	0.9%
BBGI	BBGI	169p	0.9%
Flutter Entertainment	FLTR	11,630p	1.1%
YouGov	YOU	810p	1.2%

New 52-week highs (continued)

Computacenter	CCC	1,973p	1.4%
Jubilee Metals Group	JLP	5p	1.5%
Sterling Energy	SEY	12p	1.6%
SEGRO	SGRO	936p	1.7%
SDCL Energy Efficiency	SEIT	111p	1.8%
IntegraFin Holdings	IHP	545p	1.8%
Cello Health	CLL	162p	1.8%
Croda International	CRDA	5,800p	1.9%
Capital	CAPD	78p	1.9%
CQS Natural Resources	CYN	93p	2.2%
Martin Currie Global Port	MNP	326p	2.2%
Schroder Asian Total	ATR	384p	2.3%
Centamin	CEY	207p	2.4%
Renewables Infrastructure	TRIG	136p	2.4%
Bunzl	BNZL	2,245p	2.6%
Reckitt Benckiser Group	RB	7,800p	2.6%
Witan Pacific Invnt Tr	WPC	368p	2.6%
Spirax-Sarco Engineering	SPX	10,500p	2.6%
JPMorgan Global Core Real	JARA	110p	2.7%
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Baker Steel Res Trust	BSRT	61p	2.9%
HomeServe	HSV	1,331p	2.9%
JP Morgan Emerging Mkts	JMG	1,058p	2.9%
Smithson Investment Trust	SSON	1,512p	3.0%
Serco	SRP	164p	3.0%
LSE Group	LSE	8,372p	3.0%
Montanaro Europn Small Tr	MTE	1,300p	3.0%
Source: Factset, as at 29 July 2020			

New 52-week lows

Name	TIDM	Price	% from low
Severfield	SFR	58p	1.4%
Gresham Technologies	GHT	104p	1.4%
Real Estate Investors	RLE	30p	1.7%
HSBC Holdings	HSBA	353p	2.1%
STV Group	STVG	220p	2.3%
Rotala	ROL	20p	2.5%
Pittards	PTD	39p	2.6%
Advanced Medical Solutions	AMS	200p	2.7%
Fuller, Smith & Turner	FSTA	500p	2.8%
TOC Property Backed Lndng	PBLT	86p	2.9%

Source: FactSet, as at 29 July 2020

Shorts

Company	Short interest	No of shorters	1-week change in short interest
Hammerson	14.3%	11	1.2%
Royal Mail	9.1%	7	-0.4%
Metro Bank	8.9%	4	-0.3%
Premier Oil	8.7%	3	0.0%
Cineworld	8.3%	9	0.8%
Tullow Oil	7.8%	5	-0.5%
Pearson	6.0%	5	-0.7%
Weir	5.7%	6	0.4%
Sainsbury (J)	5.6%	4	0.2%
Domino's Pizza	5.5%	7	0.0%
Blue Prism	5.5%	6	0.0%
Petrofac	5.5%	4	0.1%
Gw Pharmaceuticals	5.2%	4	0.0%
Petropavlovsk	5.2%	1	0.0%
Future	5.0%	3	0.0%
Pets At Home	4.9%	2	0.0%
Babcock Intl	4.9%	3	0.0%
IQE	4.8%	3	0.0%
Tui	4.4%	5	0.5%
Mitie	4.2%	1	New
Vodafone	4.0%	4	0.0%
Croda International	3.9%	4	-0.7%
Smith (David S)	3.8%	5	0.0%
Dignity	3.7%	3	0.0%
Capita	3.7%	5	-0.1%
Micro Focus International	3.6%	3	0.0%
Wm Morrison Supermarkets	3.5%	3	-0.4%
Keywords Studios	3.5%	4	0.0%
Ascential	3.4%	4	-0.6%
AG Barr	3.3%	3	-0.1%
Marks & Spencer	3.2%	2	0.0%
Primary Health Properties	3.1%	4	0.0%
Wood Group (John)	3.1%	5	0.0%
Hurricane Energy	3.1%	3	New
Aggreko	3.0%	3	0.1%
Ultra Electronics	3.0%	1	0.0%
Gvc Holdings	3.0%	4	New
Restaurant Group	2.9%	3	-0.1%
Ashmore	2.9%	3	0.1%
Victrex	2.8%	3	0.0%
Intercontinental Hotels	2.8%	2	0.1%
Valaris	2.8%	1	0.0%
Hiscox	2.6%	2	0.0%
Auto Trader	2.6%	4	0.0%
AA	2.5%	2	0.0%

Source: FCA

1-month EPS upgrades (top 25)

Wednesday, 29 July 2020		FWD EPS CHG		
Name	TIDM	1mth	3mth	1yr
Yellow Cake	YCA	3126.5%	3117.6%	4026%
Asos	ASC	536.5%	-	37%
Draper Esprit	GROW	218.4%	76.4%	-20%
Beazley	BEZ	114.1%	13.2%	-80%
System1	SYS1	105.3%	105.3%	27%
Totally	TLY	96.7%	96.7%	105%
OnTheMarket	OTMP	93.3%	-	-
United Oil & Gas	UOG	76.8%	-	-
ZOO Digital Group	ZOO	74.5%	-	-61%
Equals Group	EQLS	74.0%	42.9%	0%
Atalaya Mining	ATYM	64.8%	103.0%	-24%
Wincanton	WIN	64.5%	-39.9%	-40%
Panopoly Holdings	TPX	63.5%	30.8%	15%
Luceco	LUCE	62.7%	163.5%	18%
Hollywood Bowl	BOWL	61.3%	-8.6%	-72%
CVS	CVSG	57.6%	21.4%	-15%
LoopUp	LOOP	57.6%	232.2%	133%
RM	RM	55.0%	-76.7%	-76%
EKF Diagnostics	EKF	50.6%	100.7%	120%
Barclays	BARC	50.3%	-58.0%	-91%
Tyman	TYMN	47.1%	-15.9%	-32%
Numis	NUM	45.8%	-	38%
Blanco Technology	BLTG	37.9%	20.8%	30%
Hays	HAS	37.3%	16.9%	-60%
ECO Animal Health	EAH	35.1%	39.6%	-57%

Source: FactSet

1-month EPS downgrades (top 25)

Wednesday, 29 July 2020		FWD EPS CHG		
Name	TIDM	1mth	3mth	1yr
Syncona	SYNC	-99.8%	-	-100%
Mission Group	TMG	-96.0%	-96.0%	-96%
Arbutnot Banking	ARBK	-94.3%	-94.4%	-93%
Hunting	HTG	-94.2%	-98.9%	-100%
Stagecoach	SGC	-88.4%	-88.9%	-91%
Melrose Industries	MRO	-86.2%	-91.9%	-96%
Senior	SNR	-84.8%	-85.9%	-96%
Halfords	HFD	-78.5%	-76.3%	-80%
JD Sports Fashion	JD	-63.8%	-63.9%	-62%
Jadestone Energy	JSE	-63.2%	-	-98%
Kenmare Resources	KMR	-60.3%	-65.6%	-81%
Mears	MER	-57.8%	-66.0%	-71%
Forterra	FORT	-54.3%	-78.0%	-83%
HML	HMLH	-53.2%	-	-53%
Speedy Hire	SDY	-52.8%	-78.5%	-79%
Shanta Gold	SHG	-52.4%	-52.0%	-15%
Renewi	RWI	-49.4%	-73.4%	-79%
Advanced Medical Solutions	AMS	-43.3%	-46.5%	-55%
4Imprint	FOUR	-41.3%	-81.2%	-87%
PageGroup	PAGE	-40.0%	-54.0%	-87%
InterContinental Hotels	IHG	-39.3%	-65.5%	-78%
D4t4 Solutions	D4T4	-39.2%	-39.2%	-52%
Countryside Properties	CSP	-37.8%	-53.8%	-57%
Intu Properties	INTU	-36.4%	-56.5%	-82%
Gattaca	GATC	-36.2%	-35.0%	-

Source: FactSet