

ALL THAT GLITTERS...

John Leiper – Chief Investment Officer –
31st July 2020

In last week's blog, [This Time It's Different \(24 July 2020\)](#), I suggested the US dollar was on the cusp of crashing through its decade-long uptrend.

This week the US dollar index, which represents the value of the dollar against a basket of developed market peers, fell through key technical support to its lowest level in 2 years.



The ACUMEN Portfolios have benefited from this move in the dollar via our currency overlay strategy resulting in notable outperformance versus IA sector peers, which many advisers use for peer group comparison purposes.

As shown in the table below, for the month of July all funds are in the top quartile and ACUMEN Portfolios 5 & 6 were the best performing funds in their respective sectors. Portfolios 3-8 were all in the top 10. This follows a successful June as shown by the equivalent two month numbers.

		1 MONTH*		2 MONTH*	
		Quartile Ranking	Position	Quartile Ranking	Position
ACUMEN Portfolio 3	Global Bonds	1	8/60	1	15/60
ACUMEN Portfolio 4	Mixed 20-60%	1	4/155	1	7/156
ACUMEN Portfolio 5	Mixed 40-85%	1	1/169	1	2/169
ACUMEN Portfolio 6	Flexible	1	1/142	1	3/142
ACUMEN Portfolio 7	Global	1	3/230	1	12/229
ACUMEN Portfolio 8	Specialist	1	9/136	1	22/137
ACUMEN Income Portfolio	Mixed 20-60%	1	38/155	2	77/156

*As of 31st July 2020



However, it was not just the currency overlay that benefited the funds this month. Whilst the majority of our positions delivered handsomely, the most notable moves took place in commodities.

In [Commodities Move Higher \(10 July 2020\)](#), and various adviser calls, I flagged the potential breakout in the price of silver. Since then the price action has been astonishing, up 33.5% in a few weeks.



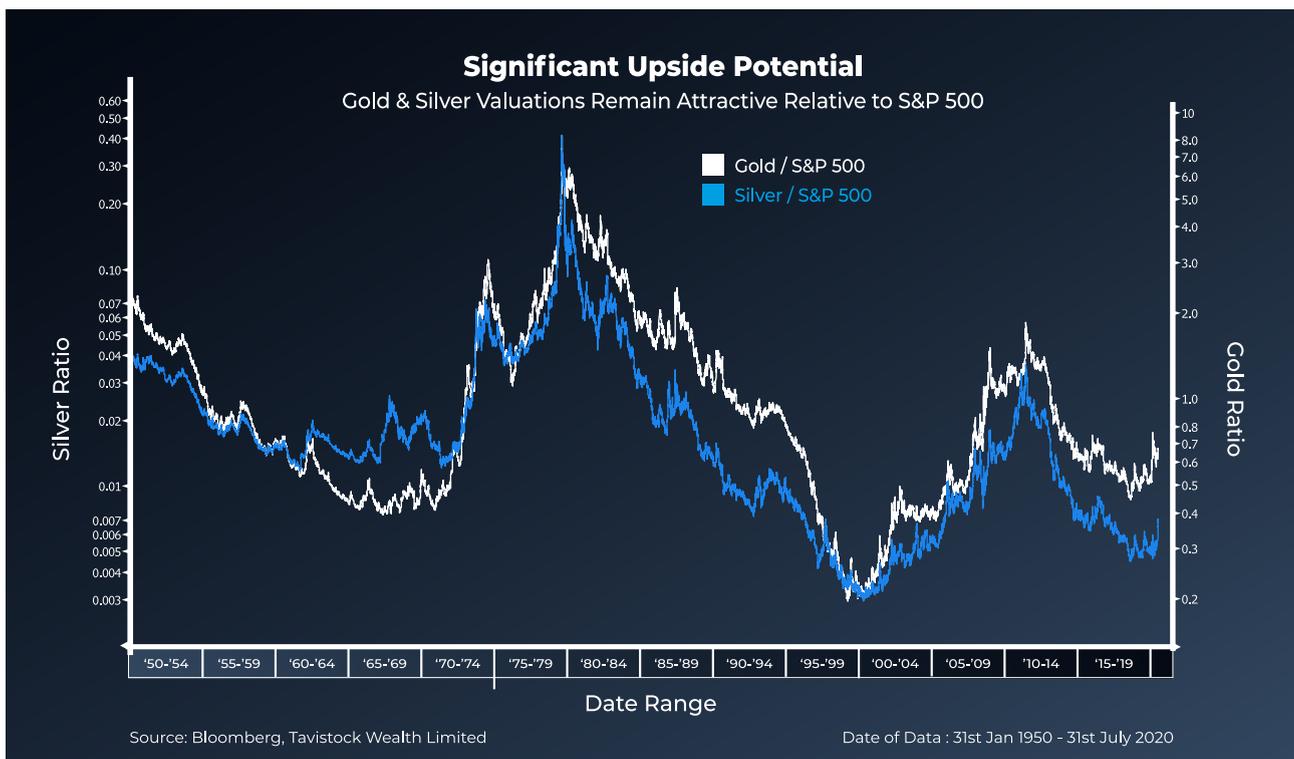
Gold also broke out in dramatic fashion. Whilst the returns were relatively more muted than silver, the yellow metal nonetheless outpaced all other asset classes.



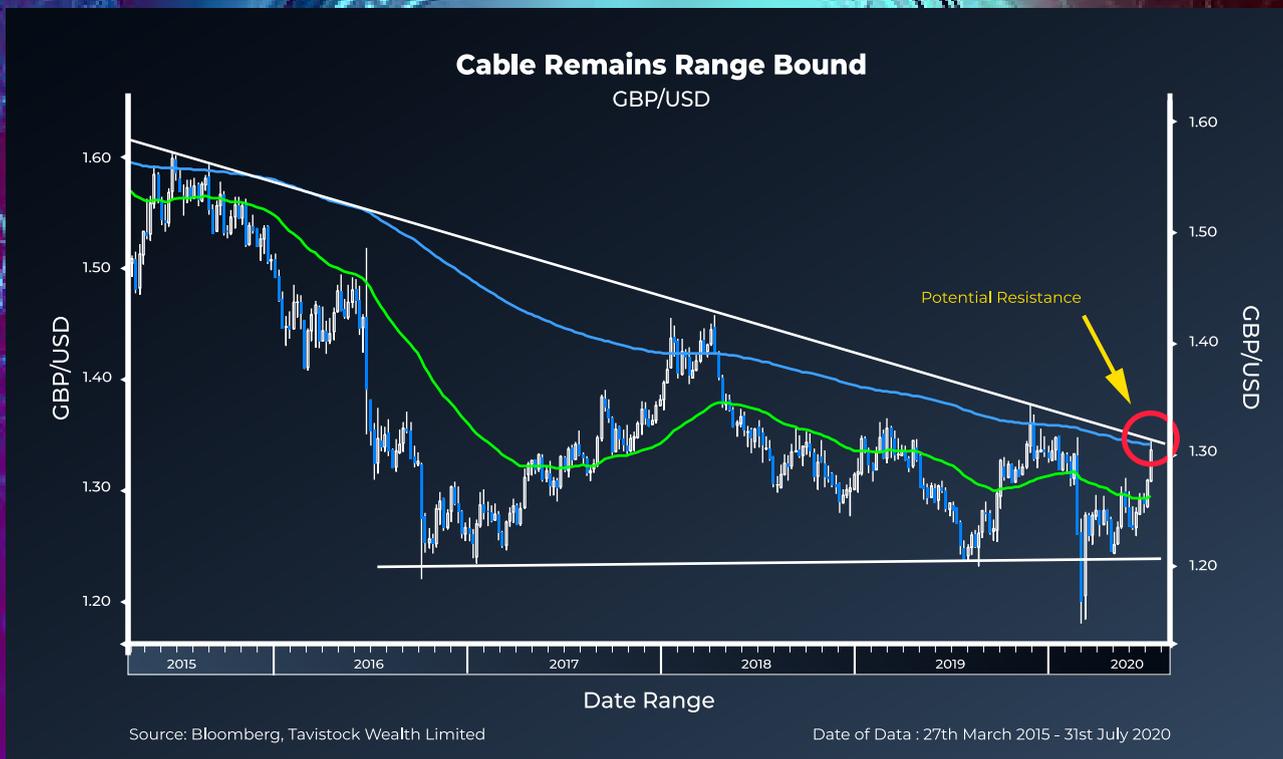
The ACUMEN Portfolios benefited from these moves via our commodity carve-out which takes direct exposure to physical gold and silver.

With gold breaking new ground, and silver at a seven year high, there is some concern prices may have moved too far too fast. Whilst the risk of a pullback exists, the fundamental case for gold and silver, and commodities in general, remains strong. The full argument for commodities can be found in the [Commodity Carve-Out \(12 June 2020\)](#).

In an attempt to quantify the longer-term potential upside, the following chart shows the price of gold and silver relative to the S&P 500 since the early 1950s. As shown, the ratio remains low relative to its own history.



There is also the risk of a technical pullback in the US dollar. Whilst most of the recent depreciation can be explained by EUR strength (as the largest component of the US dollar index), I am more interested in GBP/USD, which makes up the majority of our currency overlay. As shown in the chart below, GBP/USD has rallied to the top of its 5-year range. This is a key level and something we are monitoring very closely.



Whilst we believe the US dollar should continue to weaken, as detailed in [One Currency To Rule Them All \(20 April 2020\)](#), if GBP/USD cannot break through 1.32 then we may consider unwinding a portion of the existing dollar hedge.

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