

Scotched eggs

by Alex Harvey, CFA

Of the five weekly blogs I will have written this year, none of them have been untarnished by Covid 19 with my first – Tipping Point – penned on 9th March as markets tumbled into the Corona induced abyss. From the pre Covid peak on 12th February the market hit its lows just ‘28 days later’¹, with the streets of London and cities around the world looking eerily similar to those in Danny Boyle’s rage inducing horror of the same name. Reassuringly for investors equity markets are now comfortably higher from those levels. Roll forward to December and after two national and several tiered local lockdowns here in the UK there are signs of life on the high street and hope for 2021 with the vaccine rollout gathering pace just five weeks after the first vaccine discovery was announced. That is a stunning achievement however you look at it, and credit to those making it possible.

Since the end of ‘Lockdown 2.0’ in the UK, people have been able to return to previously ‘non-essential’ shops, get a haircut, go to the gym and enjoy a game of tennis or a round of golf. And those not living in the highest Tier 3 risk areas have even been able to pay a visit to the 19th hole or that quintessentially British institution, the pub. The rules of the game have changed, however, as masks, table service and ‘track and trace’ are order of the day should you want to sup a festive ale this Christmas. And if you live in a single person household then technically speaking you should be drinking alone (a worrying sign) unless you are having a ‘business’ meeting with your colleagues = friends. The source of greatest entertainment about the recent relaxing of rules relates to the ‘substantial’ meal that needs to be purchased should you wish to order an alcoholic beverage. Demand for scotch eggs has reportedly surged tenfold in recent weeks. The Co-op – a chain of local grocery stores in the UK – has reported a 26% year on year increase in sales; in the first week of December alone sales of the savoury snack rose 11%.² [Readers should note quality varies markedly in this market; active selection most definitely trumps passive].

Despite the hype, I’ve yet to find an establishment that will accept the purchase of a lowly single scotch egg as a substantial meal. Instead we’re being subjected to new menus of bar snacks designed for this state of post lockdown semi-stasis. My jaw dropped last week when my portion of croquetas (croquettes to you and me)

contained just two of the savoury delights. Given this tapas style dish is commonly shared it felt considerably unsubstantial for the £8.50 chain pub privilege. The big plate they arrived on also suggested darker forces at play. Later that week when my nachos were charged at £9.50 rather than the £8.50 stated on the menu, I was told by the waitress that she thought she had removed all of the ‘old menus’ but this one must have slipped through. It won’t take many more partial lockdowns to make that 12% mark-up felt. Adding to this sense of culinary robbery, the UK government’s ‘Eat out to Help Out’ scheme in August reportedly saw some menu prices rise on the back of the government’s subsidy that funded a 50% food discount of up to £10 per person. It is unlikely these prices will revert fully once we reach the new end state, whatever form that takes.

Now, I’m really not bothered by the extra quid here or there and we must do everything we can to support our local shops, pubs and eateries – make no mistake about that – but there is a common thread here. What is arguably being served up – more by unintended stealth than by design – is something we’re told is not on our menus; inflation. As readers will know our portfolios are designed to outperform inflation by a margin over time, and having that margin becomes even more important if headline inflation becomes warped by shrinkflation (the croquetas) or a lowering in quality (corner shop scotch eggs). So, if you want to keep up with the bar snacking Joneses next Christmas then you’d better cook up some inflation beating returns.

¹ Global equities bottomed out on 23rd March, 28 trading days after 12th February

² The Guardian, 6th December 2020



Global Matters Weekly

14 December 2020

For more information, please contact your adviser or alternatively contact:

Belvest Investment Services Limited
研富投資服務有限公司
9th Floor, Centre Mark II
305-313 Queen's Road Central
Sheung Wan, Hong Kong

Tel +852 2827 1199
Fax +852 2827 0270
belvest@bis.hk
www.bis.hk

Important notes

This communication is issued by Belvest Investment Services Limited and/or Belvest related companies (collectively, and individually Belvest) solely to its clients, qualified prospective clients or institutional and professional investors. Unless stated otherwise, any opinions or views expressed in this communication do not represent those of Belvest. Opinions or views of any Belvest company expressed in this communication may differ from those of other departments or companies within Belvest, including any opinions or views expressed in any research issued by Belvest. Belvest may deal as Distributor or Agent, or have interests, in any financial product referred to in this email. Belvest has policies designed to negate conflicts of interest. Unless otherwise stated, this e-mail is solely for information purposes.

This message may contain confidential information. Any use, dissemination, distribution or reproduction of this information outside the original recipients of this message is strictly prohibited. If you receive this message by mistake, please notify the sender by reply email immediately.

Unless specifically stated, neither the information nor any opinion contained herein constitutes as an advertisement, an invitation, a solicitation, a recommendation or advise to buy or sell any products, services, securities, futures, options, other financial instruments or provide any investment advice or service by Belvest.

No representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any figures, forecasts, prospects or return (if any) contained in the message. Such figures, forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies. The assumptions and parameters used by Belvest are not the only ones that might reasonably have been selected and therefore Belvest does not guarantee the sequence, accuracy, completeness or timeliness of the information provided herein. None of Belvest, its group members or any of their employees or directors shall be held liable, in any way, for any claims, mistakes, errors or otherwise arising out of or in connection with the content of this e-mail.

This e-mail and any accompanying attachments are not encrypted and cannot be guaranteed to be secure, complete or error-free as electronic communications may be intercepted, corrupted, lost, destroyed, delayed or incomplete, and/or may contain viruses. Belvest therefore does not accept any liability for any interception, corruption, loss, destruction, incompleteness, viruses, errors, omissions or delays in relation to this electronic communication. If verification is required please request a hard-copy version. Electronic communication carried within the Belvest system may be monitored.