

Over the last 10 years there has been \$199.8bn of equity investment across 1,553 unique companies in the space economy

## A Summer of Competition

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by Jackson Franks

It's been a summer of competition here in the UK (and globally). Firstly, we welcomed back Wimbledon, then had the excitement of the football not quite coming home, followed by one of golf's majors and now the Olympics. Not to mention the bonus of a British and Irish Lions tour in South Africa, where a game of two halves gave the Lions victory in the first test. By the time this blog is released we will know the result of the second test so I will choose my words carefully by not trying to pre-empt a result. In the midst of these great sporting events there was one other competition that may have caught your eye, the billionaire's race to space. For those who have not yet seen the result Richard Branson's Virgin Galactic narrowly beat Jeff Bezos's Blue Origin by 9 earth days. Having said that, Jeff did go higher than Richard so who was the real winner? On a more serious note, over the last 10 years there has been \$199.8bn of equity investment across 1,553 unique companies in the space economy, with \$4.5bn being invested in the second quarter of this year<sup>1</sup>. So, for those who aren't willing to spend \$250,000 on a ticket for four minutes (or \$62,500 per minute) of weightlessness in space today, you may get a better deal in the years to come. But before you go and purchase your ticket, think about one small matter: the environment.

There is no doubt that the innovation and advances in technology within the space sector is evolutionary. Companies such as Jeff Bezos's Blue Origin and Elon Musk's SpaceX are visionaries, with a belief that their activities will help save Planet Earth, not destroy it. These commercial space flights are a source of income that enables these businesses to reinvest and expedite the process of reaching that goal. However, the question must be asked, do the benefits outweigh the environmental risks?

For some context, Richard Branson's Virgin Galactic endeavour mentions that the carbon dioxide (CO<sub>2</sub>) emissions from its VSS Unity spaceship, the shuttle used for its commercial space flights, is the same as one transatlantic business class flight. The difference here is that one transatlantic flight is approximately 6,900 miles

whereas the VSS Unity's round trip is nearer the 100-mile mark, resulting in an estimated 12kg per passenger per mile of CO<sub>2</sub> emissions compared to a transatlantic business class flight of 0.2kg per passenger per mile. The more concerning aspect of space tourism is the amount of black carbon, otherwise known as soot, being released in the upper layers of the atmosphere; the stratosphere. VSS Unity used a hybrid propellant comprised of a solid carbon-based fuel, hydroxyl-terminated polybutadiene (HTPB), and a liquid oxidant (nitrous oxide) to launch itself into space. This generates levels of soot which has an atmospheric warming impact over 460 times greater than CO<sub>2</sub> (per unit of mass).

Comparing the Blue Origin launch to the VSS Unity, Jeff Bezos insists that his space plane is greener. The Blue Origin was propelled into space using liquid hydrogen and liquid oxygen which produces no carbon emissions - just water vapour - so yes, it is cleaner. A lot cleaner. However, if we look at the 'embodied' carbon - the CO<sub>2</sub> emitted in producing a substance - the production of 1kg of liquid hydrogen generates the equivalent of 9.3kg of CO<sub>2</sub> emissions. There are renewable sources that are also able to produce the required liquid hydrogen, but this comes at a financial cost - 2 to 3 times more expensive than producing it using fossil fuels.

Although the above may sound worrying (and complex), especially with the significant increase in tourist carrying space launches expected over the next decade, these businesses, like us, must have sustainability targets. At Momentum, incorporated into our investment process, we conduct extensive work to understand our managers' credentials and their capabilities for assessing environmental risks in the companies in which they invest to ensure they are aligned with our own sustainability goals. So, with the first stage of the billionaire's space race over, perhaps attention needs to turn to the advancement of sustainability within the sector for the benefit of others and for our beautiful planet.

<sup>1</sup>Space Capital: Space Investment Quarterly Dashboard Q2 2021.

# Market Focus

- » **Global equities fell by -0.1% last week.**
- » **The latest US infrastructure bill took another step towards passage.**
- » **Gold rose 0.7% last week to \$1814.2 per ounce.**
- » **Brent crude oil rose +3.0% last week to \$76.4 per barrel.**

## US



- » US equities fell by -0.4% last week.
- » The Commerce Department reported its advance estimate that GDP increased at an annualized rate of +6.5% in Q2, well below consensus estimates of +8.4%.
- » Weekly initial jobless claims for the week ending July 24th fell to +400k (vs. +385k expected).
- » New home sales fell in June with an annualised rate of 676k (vs. 796k expected) the lowest figure since April 2020.
- » The Labor Department's measure of employment costs rose +0.7% in the second quarter, a slowdown from the first quarter and below estimates of a +0.9% gain.
- » The Dallas Fed's manufacturing index fell for a 3rd consecutive month to +27.3 (vs. +31.6 expected).
- » Senators negotiating the \$1 trillion infrastructure package finished the text of their legislation yesterday, moving the Senate a step closer to likely passage this week.

## Europe



- » European equities fell by -0.1% last week.
- » The flash CPI print for the Euro Area for July showed a +0.7% month-on-month increase in core inflation with the headline number coming in at -0.1% (vs. -0.3% expected).
- » Euro-area GDP grew by +2% last quarter, beating expectations of +1.5%.
- » The Ifo's business climate indicator for Germany fell in July, declining to 100.8 (vs. 102.5 expected)
- » German unemployment fell by a stronger-than-expected -91k in July (vs. -29k expected) The unemployment rate is down to a post-pandemic low of +5.7%.
- » The European Commission's economic sentiment indicator for the Euro Area rose to 119.0 (vs. 118.2 expected), which is the highest level on record.

## Rest of the World/Asia



- » The Global Emerging Markets index fell by -2.5% last week.
- » Chinese equities fell by -6% last week .
- » Flash Japan manufacturing PMI declined to 52.2 in July from 52.4 in June. The services flash PMI also declined from 48 to 46.4.
- » The Chinese manufacturing PMI fell from 50.9 to 50.4 in July (vs 50.8 expected) - the lowest level since February 2020.
- » Other economies in Asia also posted some weak manufacturing PMIs. Indonesia came in at 40.1 (vs. 53.5 last month) Thailand's fell to 48.7 from 49.5 and the Philippine's fell to 50.4 from 50.8. Vietnam's reading remained in contractionary territory at 45.1 (vs. 44.1 last month).
- » Australia's final manufacturing PMI for July came in at 56.9 (vs 56.8 in the flash reading).

## UK



- » UK equities rose by +0.2% last week.
- » The Bank of England's Dr Gertjan Vlieghe said in a speech last week that he hadn't changed his view that current elevated inflation would be temporary, and said that the economy "remains an average recession away from full employment" and would also soon be seeing the end of various government support schemes.
- » UK mortgage approvals came in at 81.3k in June (vs. 84.5k expected).
- » The government is planning to administer booster covid-19 vaccine shots to 32 million people starting from September.

Asset Class / Region	Currency	Cumulative returns			
		Week ending 30 July	Month to date	YTD 2021	12 months
<b>Developed Markets Equities</b>					
United States	USD	-0.4%	2.3%	17.7%	36.9%
United Kingdom	GBP	0.2%	0.3%	11.6%	21.4%
Continental Europe	EUR	-0.1%	2.1%	17.6%	31.4%
Japan	JPY	-0.2%	-2.2%	6.5%	26.1%
Asia Pacific (ex Japan)	USD	-2.8%	-6.6%	-0.2%	20.3%
Australia	AUD	0.0%	1.1%	14.1%	25.9%
Global	USD	-0.1%	1.8%	15.1%	35.1%
<b>Emerging Markets Equities</b>					
Emerging Europe	USD	2.2%	0.2%	14.7%	30.4%
Emerging Asia	USD	-3.4%	-8.1%	-2.6%	18.0%
Emerging Latin America	USD	-1.0%	-4.1%	4.5%	23.2%
BRICs	USD	-4.2%	-9.7%	-4.9%	10.2%
China	USD	-6.1%	-13.8%	-12.3%	0.4%
MENA countries	USD	2.2%	1.1%	21.6%	39.4%
South Africa	USD	1.6%	-1.7%	8.6%	27.6%
India	USD	-0.4%	0.4%	11.7%	44.8%
Global emerging markets	USD	-2.5%	-6.7%	0.2%	20.3%
<b>Bonds</b>					
US Treasuries	USD	0.2%	1.3%	-1.6%	-3.5%
US Treasuries (inflation protected)	USD	0.8%	2.8%	4.4%	7.1%
US Corporate (investment grade)	USD	0.4%	1.4%	0.1%	1.5%
US High Yield	USD	0.1%	0.4%	4.0%	10.8%
UK Gilts	GBP	0.2%	2.8%	-3.2%	-4.4%
UK Corporate (investment grade)	GBP	0.2%	1.6%	-1.2%	2.3%
Euro Government Bonds	EUR	0.2%	1.9%	-1.2%	0.4%
Euro Corporate (investment grade)	EUR	0.2%	1.1%	0.7%	3.2%
Euro High Yield	EUR	0.2%	0.4%	3.5%	9.8%
Japanese Government	JPY	0.1%	0.6%	0.4%	0.2%
Australian Government	AUD	0.2%	2.1%	-0.3%	-0.1%
Global Government Bonds	USD	0.6%	1.6%	-3.1%	-1.7%
Global Bonds	USD	0.6%	1.3%	-2.2%	0.0%
Global Convertible Bonds	USD	-0.4%	-1.3%	0.2%	14.4%
Emerging Market Bonds	USD	-0.1%	0.6%	-2.5%	1.7%

Asset Class / Region	Currency	Cumulative returns			
		Week ending 30 July	Month to date	YTD 2021	12 months
<b>Property</b>					
US Property Securities	USD	0.3%	4.8%	27.1%	37.6%
Australian Property Securities	AUD	0.4%	0.3%	8.0%	27.2%
Asia Property Securities	USD	-2.4%	-3.9%	2.9%	12.1%
Global Property Securities	USD	-0.1%	2.4%	16.6%	30.9%
<b>Currencies</b>					
Euro	USD	0.8%	0.1%	-3.0%	0.5%
UK Pound Sterling	USD	1.0%	0.7%	1.8%	6.4%
Japanese Yen	USD	0.7%	1.2%	-5.9%	-4.4%
Australian Dollar	USD	-0.3%	-2.0%	-4.5%	2.7%
South African Rand	USD	1.6%	-1.9%	0.4%	15.3%
Swiss Franc	USD	1.6%	2.1%	-2.4%	0.6%
Chinese Yuan	USD	0.3%	-0.1%	1.0%	8.5%
<b>Commodities &amp; Alternatives</b>					
Commodities	USD	1.1%	1.7%	30.6%	54.7%
Agricultural Commodities	USD	0.1%	-0.2%	19.6%	52.2%
Oil	USD	3.0%	1.6%	47.4%	77.8%
Gold	USD	0.7%	2.4%	-4.2%	-6.9%
Hedge funds	USD	-0.1%	-0.4%	3.5%	10.2%

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