

Dancing to what tune?

Back in March, when restaurants closed and gigs, cinema screenings and theatre shows were being cancelled due to Coronavirus, it was inevitable the UK's music festivals would be next. For live music lovers everywhere, nothing hurt quite like the official cancellation of Glastonbury. The iconic Somerset pilgrimage, which sees 200,000 fans congregate for five carefree days on Michael Eavis' famous farm, is a huge part of British summers; whether you actually attend or simply enjoy from the comfort of your sofa. The fact the festival was all geared up to celebrate its 50th birthday and was expected to be the greatest 'Glasto' ever, it felt – for some – like summer had been cancelled.

Eavis launched what was initially called the Pilton Pop, Folk & Blues Festival, at his own Worthy Farm on 19 September 1970, with just 1,500 festival-goers stumping up the £1 admission fee. The event was renamed the Glastonbury Free Festival in 1971 – the same year the first of its three famous Pyramid Stages was constructed – and has gradually morphed into the singular experience, which has attracted millions of fans. Chronologically, Monterey, Woodstock and the Isle of Wight got there first but, when it comes to music festivals, many see Glastonbury as the best. As such, the finest performances are not just highlights in the festival's own story, but landmark moments in the history of music – career-defining events that have turned bands into household names overnight. Marc Bolan, The Killers, Radiohead and Adele were all relatively unknown before their Glastonbury debuts, progressing to stardom thereafter. However, in the past two decades, it has been the performances of the well-established acts which have cemented their status in music history. Sets by The Rolling Stones, Snoop Dogg, Bruce Springsteen, Dolly Parton, Jay-Z, Stevie Wonder, Beyoncé and David Bowie all feature in Glastonbury's most memorable moments – also illustrating the variety of musical tastes catered for.

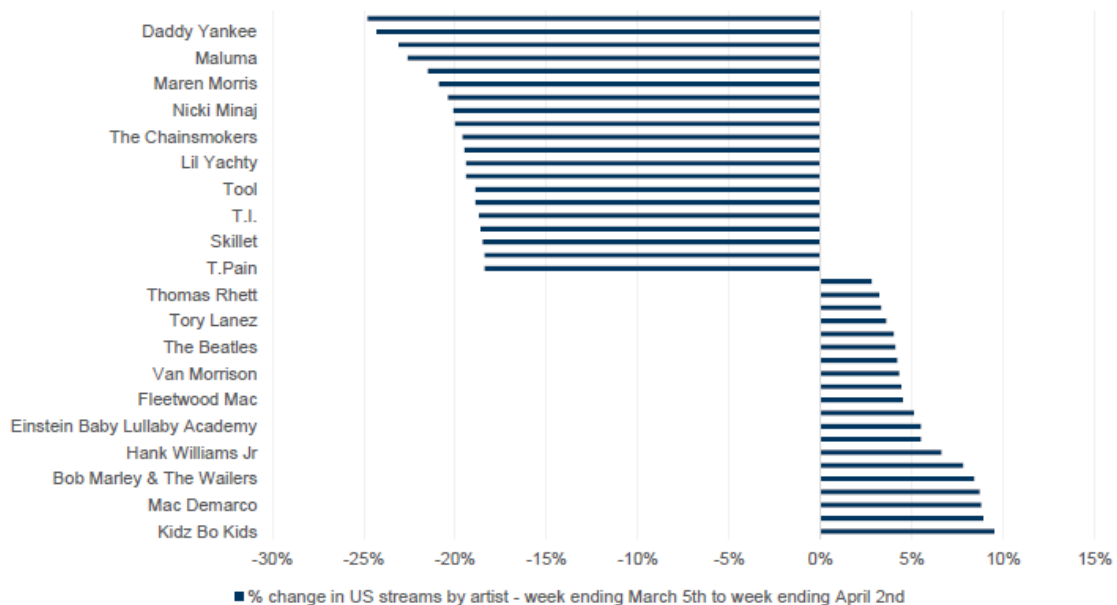
Music and the virus

For the last few years, the music industry has been going in only known one direction: up. Global sales have climbed 5 years in a row, buoyed by the rise of streaming services Spotify and Apple Music, while concert ticket sales eclipsed US\$10 billion, a new high. The pandemic has changed all this – not only have concerts and festivals been cancelled, music listening fell by about 550 million streams a week (3.4%) through March to mid-May, according to Billboard/MRC Data. In the US, 40% of daily music consumption happens at work and in the car. As such, it has been estimated by Goldman Sachs that the decline in commute listening could have had up to a 20% impact on overall weekly streaming consumption in locked down areas (globally). This, they argue, would partly explain the 14% week-on-week decline in Spotify Top 200 streams, in the US in the week of March 12-19 when localised lockdown measures were first enacted. The decline has impacted almost every kind of music, with dance, Latin and hip-hop/R&B suffering the most.

What have those listening, been listening to? Two trends have emerged. Firstly, respondents to a recent survey in the US advised they are listening to music that makes them feel more positive; listening less to new music and more to songs they already know.

Deep catalogue artists including the Beatles, Fleetwood Mac and Bob Marley & The Wailers (think; *Every little thing's gonna be alright*) saw a big increase in the number of streams in the US during March. Secondly, two genres have bucked the Covid crunch; children's music and country. The latter, in particular, has thrived. US residents have listened to an average of 11.1% more country music since mid-March, an increase of 127 million streams a week. Moreover, while growth in kids' music has subsided, as more people return to work, country has only accelerated.

% change in US streams by artist – week ending March 5 to week ending April 2



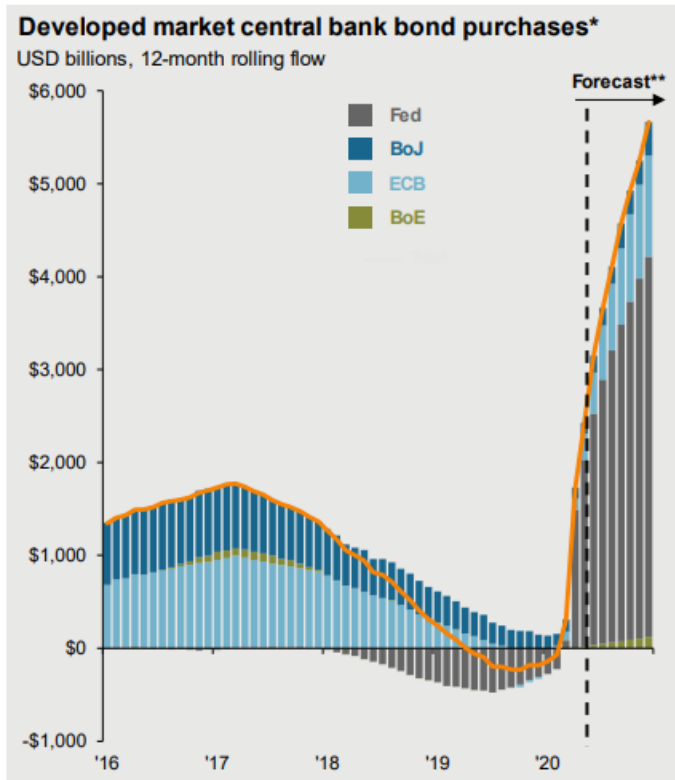
Source: Alpha Data, Goldman Sachs Global Investment Research

Why has country been so popular? The simplest explanation seems to be fans are learning to stream. As Spotify has progressed from popularity to ubiquity, and tech giants Apple, Amazon and Google pumped streaming services through smart speakers, it appears people of all ages and demographics have embraced streaming.

From the ubiquity of streaming to the ubiquity of stimulus

Since the Global Financial Crisis, central banks have been able to make asset prices dance to their tune. Worrying economic noise has been regularly quietened by a fanfare of liquidity, with the names Yellen and Draghi now almost as familiar in the public conscience as Lennon and McCartney. Furthermore, monetary policy has become increasingly atypical and creative, leading to the men in grey suits ignoring the Man in Black and doing everything but *Walk the Line*.

The most recent wave of stimulus, in response to the pandemic, has taken the balance sheets of key central banks to levels considered impossible and irresponsible only a few months ago.



Source: JPM GTTM

This action has created a reaction in financial markets to which we have become accustomed, however, the size and scale of the stimulus has supercharged this. For the first time since WWII, the S&P 500 rose more than 40% in just 50 days, ending 10 June. Credit markets have also benefited from central bank intervention.

Some commentators have begun to worry about the longer term effects of this year's expansion. The risk is such a massively increased amount of money, chasing a relatively constrained supply of goods and services, will pump up inflation. This could lead central banks to tighten, earlier than currently expected, so nipping the nascent economic recovery and the rally in financial markets in the bud.

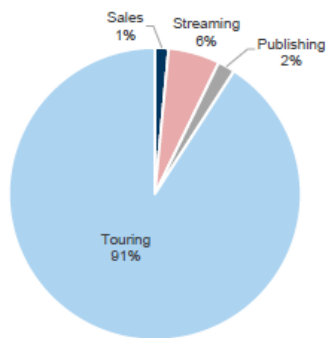
Last week, however, Chairman Jerome Powell guided us the Fed is 'not even thinking about thinking about raising rates', so time will tell.

These comments cannot help but remind us of the now infamous quote from Charles Prince, the former Citigroup chief executive back in July 2007. Referring to the firm's leveraged lending practices at the time, he advised "When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you've got to get up and dance. We're still dancing."

This leads us back to Glastonbury

One of the superstar acts for the 50th anniversary festival was to be Taylor Swift, only the sixth solo female headliner in the festival's 50-year history. Swifty was 2018's highest earning artist, with a staggering 91% of her income generated from touring. Live music clearly matters; to both the performer and those in the crowd.

Taylor Swift revenue by type, 2018



Source: Billboard, Goldman Sachs Global Investment Research

The millennial experience economy has been driving secular demand growth for music festivals and DJ events. Anecdotally, in a survey conducted by Nielsen, 78% of millennials in the US said they would rather spend money on an experience than buying something desirable and 69% feel attending events makes them more connected to other people, the community, and the world.

With the majority of millennials now of working age, their spending power is poised for growth, estimated at over \$1.3 trillion in the US, according to Eventbrite.

However, some are questioning whether Covid is causing priorities to shift amongst this cohort, with an increased focus on domesticity. 2020 will inevitably require a different approach to many things – not least music festivals – with *Glasthomebury* set to be enjoyed in gardens up and down the country.

Please do contact us with any questions

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