

# Current Update

December 2019



## Market Commentary

The geopolitical risks that dominated markets for much of 2019 faded in the final quarter, helping global equity markets to increase strong year to date performance. In fixed income, corporate bonds performed well amid the improved investor sentiment. The final quarter saw all asset classes finish in positive territory for the year. In sterling terms nearly all Enhancer and Diversifier asset classes finished 2019 with double digit returns. The exceptions were UK Property and Indian Equities.

Over the final quarter US equities made robust gains in as trade uncertainty faded with the US and China's "phase one" trade deal announcement. The Federal Reserve cut interest rates once in the quarter before indicating that "the current stance of monetary policy is appropriate".

Eurozone shares also advanced, supported by signs of better economic data from Germany as well as optimism surrounding the US and China trade deal. Christine Lagarde took over as president of the European Central Bank on 1 November. In her first major speech she urged governments to boost public investment in order to increase domestic demand in Europe.

Domestic politics drove UK asset prices following a landslide general election victory for the Conservative Party in December. The new government is set to use its large majority to take the UK out of the EU by 31 January 2020, entering a transition period when the next stage of negotiations will begin. UK equities performed relatively well and, within the market, domestically focused areas significantly benefited as they responded very favourably to the reduction in near-term political uncertainty.

Japanese shares ended higher and the yen weakened slightly against the US dollar. Economic data continued to show a significant divergence between the strength in service sectors and the weakness in manufacturing.

Emerging market equities posted a strong gain. The easing trade tensions benefitted China, South Korea and Taiwan. A pick-up in crude oil prices was supportive of the Russian and Colombian markets. Rising expectations of a phase one US-China trade deal, with an agreement announced in December, and moderately better economic data supported risk assets over the quarter.

For Anchors government bond yields rose (meaning prices fell) which saw a negative quarter but the asset class maintained strong single digit returns for the year. Diversifiers gained in December but finished the quarter generally lower as gold and oil fell. Global Property shares finished the quarter sharply higher.

## 10 Key Events to Watch:

UK		Previous	Forecast
Monday, Jan 13, 2020	Manufacturing Production (MoM)	-0.4%	-0.5
Wednesday, Jan 15, 2020	CPI (YoY) (Dec)	1.5%	1.4%
Tuesday, Jan 21, 2020	Claimant Count Change (Dec)	28.8K	24.5K
Tuesday, Jan 21, 2020	Average Earnings Index+Bonus (Nov)	3.2%	3.4%
Tuesday, Jan 21, 2020	Unemployment Rate (Nov)	3.8%	3.9%
GLOBAL			
Monday, Jan 13, 2020	India CPI (YoY) (Dec)	5.54%	5.26%
Wednesday, Jan 15, 2020	French CPI (MoM) (Dec)	-0.1%	-
Thursday Jan 16, 2020	China GDP (YoY) (Q4)	6.0%	6.1%
Friday, Jan 17, 2020	Euro Zone CPI (YoY) (Dec)	1.0%	1.0%
Wednesday, Jan 29, 2020	US Fed Interest Rate Decision	-	-

## Key Recent Announcements

### US ISM MANUFACTURING PMI (Nov):

Survey results shows down trend to 48.1 in Nov 2019 from 48.3 as compared to previous month, against market expectations of 49.2.

### UK MANUFACTURING PMI (Nov):

Manufacturing PMI stood at 48.9 as compared to 48.3 from the previous month.

### UK INFLATION RATE YoY (NOV):-

The rate of inflation across the UK stood at 1.5 percent in Nov 2019, compared to 1.5 percent the previous market expectations of 1.4 percent.

### US GDP (QOQ) (Q3):

The US GDP stood at 2.1 percent in Q3 as compared to 2 percent from the previous quarter.

UK	31-Dec-19	31-Dec-18
FTSE 100	7,542	6,728
FTSE 100 % Change	12.10%	
BoE Interest Rate	0.75%	0.75%
CPI	1.50%	2.30%
Govt, 10YR Yield	0.83%	1.15%
FTSE 350	4,249	3,772

Currency	31-Dec-19	31-Dec-18
GBP/USD	1.32	1.28
GBP/EURO	1.18	0.90

Commodity (\$)	31-Dec-19	31-Dec-18
Gold	1,518	1,283.0
Silver	18.00	15.44
Brent Crude Oil	66.03	54.16

Govt 10YR Bond	31-Dec-19	31-Dec-18
US	1.92	2.68
Japan (JGB)	-0.02	0.00
Germany (Bund)	-0.18	0.24

Global Markets	31-Dec-19	31-Dec-18
Dow Jones	28,538	23,327
Dax	13,249	10,558
CAC	5,978	4,730
Nikkei 225	23,656	20,014
Shanghai	3,050	2,493
Sensex	41,253	36,068
Nifty 50	12,168	10,862

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