Current Update

January 2020

Market Commentary

Global equities, and most Enhancers despite a strong start, declined in January overall as the spread of coronavirus reduced investors' appetite for risk. Assets perceived as safe havens, such as government bonds, and other Anchors, performed well.

US shares were flat overall. They carried strong momentum into the new year but mounting fears over the spread of the coronavirus erased the early gains. Trade tensions that dogged markets for much of 2019 eased with the phase one US-China trade deal, signed as expected on 15 January. Energy stocks were especially hard-hit in the latter half of the month.

Coronavirus concerns led to a lower start to the year for eurozone equities. The weakest sectors included energy, materials and consumer discretionary. Companies with significant exposure to China underperformed.

UK equities fell in January. The end of the month marked the UK's official departure from the EU and its entry into a transition period. Sterling was volatile, gaining sharply after the Bank of England kept interest rates unchanged.

Japanese shares fell as news coverage emphasised the spread of coronavirus. The yen was slightly more volatile against the US dollar than in recent months although the actual yen/dollar rate ended January almost unchanged.

Emerging markets equities were hardest hit. The Chinese authorities responded by imposing travel restrictions and cancelling Lunar New Year events. As the outbreak escalated, the re-opening of factories after the new year holiday was delayed. Commodity price falls weighed on sentiment towards a number of countries, notably Brazil, Chile, Colombia and South Africa.

Government bond yields fell significantly over the month (meaning prices rose) amid investor caution and central banks reaffirming accommodative stances. Corporate bonds produced positive overall returns (in local currency), led by investment grade, as global yields declined, but underperformed government bonds. US energy lagged after strong performance the previous month. UK investment grade corporate bonds proved an exception, outperforming government bonds, led by capital goods.

For Diversifiers commodities saw the biggest falls as global growth concerns weighed on demand outlooks. Energy was the weakest as oil prices fell sharply on expectations of weaker demand, especially from China given the likelihood that the spread of coronavirus and measures to contain it will weigh on economic activity.

10 Key Events to Watch:

UK		Previous	Forecast
Tuesday, Feb 11, 2020	GDP (YoY) (Q4)	1.1%	1.1%
Tuesday Feb 18, 2020	Claimant Count Change (Jan)	14.9K	22.6K
Tuesday, Feb 18, 2020	Unemployment Rate (Dec)	3.8%	3.8%
Wednesday, Feb 19, 2020	CPI (YoY) (Jan)	1.3%	1.5%
Thursday, Feb 20, 2020	Retail Sales(MoM) (Jan)	-0.6%	0.5%
GLOBAL			
Friday, Feb 14, 2020	German GDP (QoQ) (Q4)	0.1%	-0.1%
Friday, Feb 14, 2020	Eur GDP (QoQ) (Q4)	0.1%	0.2%
Sunday, Feb 16, 2020	Japan GDP (QoQ) (Q4)	0.4%	0.2%
Friday, Feb 21, 2020	German Manufacturing PMI (Feb)	51.1	50.6
Friday, Feb 21, 2020	US Existing Home Sales (Jan)	5.54M	5.43M

Key Recent Announcments

US ISM MANUFACTURING PMI (Dec):
Survey results shows down trend to 47.2 in Dec 2019 from 48.1 as compared to previous month, against market expectations of 49.0.

UK MANUFACTURING PMI (Dec):
Manufacturing PMI stood at 47.5 as compared to 48.9 from the previous month.

UK INFLATION RATE YoY (DEC):-
The rate of inflation across the UK stood at 1.3 percent in Dec 2019, compared to 1.5 percent the previous market expectations of 1.4 percent.

US GDP (QOQ) (Q4):
The US GDP stood at 2.1 percent in Q3 as compared to 2.1 percent from the previous quarter.

UK	31-Jan-20	31-Dec-19
FTSE 100	7,286	7,542
FTSE 100 % Change	-3.40%	12.10%
BoE Interest Rate	0.75%	0.75%
CPI	1.30%	1.50%
Govt, 10YR Yield	0.46%	0.83%
FTSE 350	4,105.14	4,249

Currency	31-Jan-20	31-Dec-19
GBP/USD	1.32	1.32
GBP/EURO	1.19	1.18

Commodity ($)	31-Jan-20	31-Dec-19
Gold	1,587	1,518
Silver	18.01	18.00
Brent Crude Oil	58.16	66.03

Govt 10YR Bond	31-Jan-20	31-Dec-19
US	1.51	1.92
Japan (JGB)	-0.06	-0.02
Germany (Bund)	-0.40	-0.18

Global Markets	31-Jan-20	31-Dec-19
Dow Jones	28,807	28,538
Dax	12,981	13,249
CAC	5,806	5,978
Nikkei 225	23,205	23,656
Shanghai	2,746	3,050
Sensex	40,723	41,253
Nifty 50	11,962	12,168

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