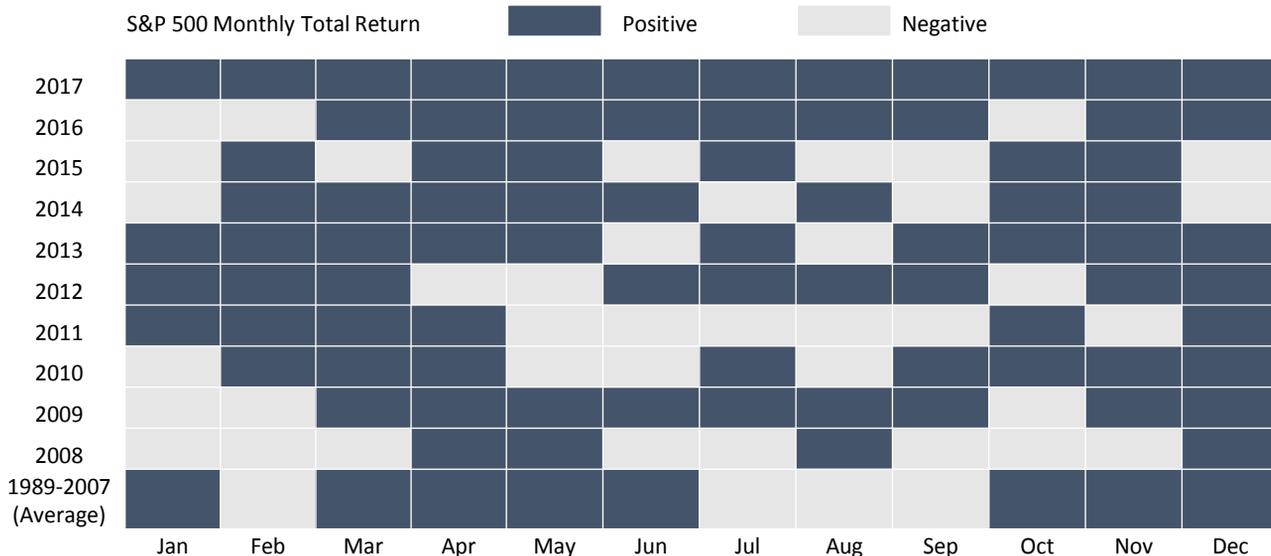




A Perfect Year

From Donald Trump's chaotic inauguration year, to a French general election scare and numerous North Korean missile tests, there were many things to be concerned about in 2017. Fortunately the consistency of equity market returns was not one of them. In particular, the S&P 500 Total Return Index which experienced an unprecedented 'perfect year' by posting a positive return in every calendar month for the first time in its history. It came close before in 2006 and 1995 – both vintage bull market years for equity investors – where it posted 11 positive months in each year. Even more impressive is that with the sole exception of one negative month in October 2016 in the lead up to the US presidential elections, this winning streak actually stretches back to a total of 22 calendar months! Overall, the index was up 21.8% in 2017, almost doubling its prior year's performance, but with the US equity market still digesting its Christmas gift of corporate and personal tax cuts from Capitol Hill and further prospects for an economic cycle-extending fiscal spending package, investors are questioning whether this winning streak can last another year?



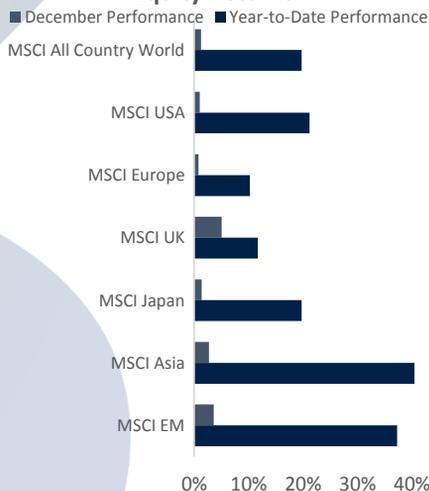
Source: Bloomberg

Market Returns

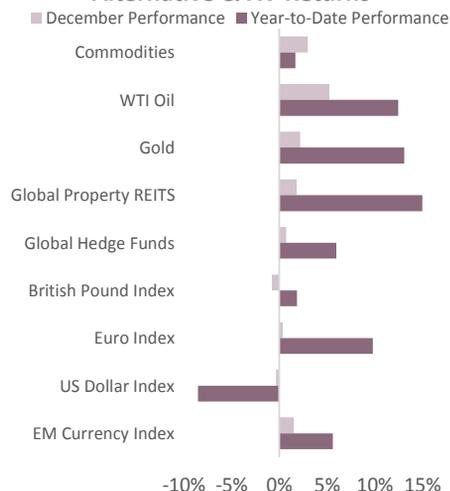
Fixed Income Returns



Equity Returns



Alternative & FX Returns



Global Agg: Bloomberg Global Aggregate TR Hedged GBP; Global Sovereign: Bloomberg Global Treasury TR Hedged GBP; Global IL: Bloomberg World Gov Inflation Linked Bonds 1-10Y TR Hedged GBP; Global IG: Bloomberg Global Corporate TR Hedged GBP; Global HY: Bloomberg Global High Yield TR Hedged GBP; EM\$ Sov: Bloomberg Emerging Markets Sovereigns TR Hedged GBP; EM\$ Corp: Bloomberg EM USD Corporate 10% Cap Hedged GBP; EM Local Sov: Bloomberg EM Local Currency Govt TR Unhedged GBP; Equities: MSCI indices reflect net total returns in local currency, except Asia and EM in USD; Commodities: Bloomberg Commodity TR Index; Global Property REITS: FTSE EPRA/NAREIT Global Index; Global Hedge Fund: HFRX Global Hedge Fund Index; British Pound: Bloomberg British Pound Index; Euro: Bloomberg Euro Index; US Dollar: Bloomberg US Dollar Index; EM Currency: JP Morgan Emerging Market Currency Index. Source: Bloomberg. **Data as at 31/12/2017.**

Fixed Income

- The US Federal Reserve (Fed) hiked rates once again in December, as was widely forecast and this sent jitters in Emerging Markets hard currency and corporate debt
- Emerging market local debt was the strongest performing sector in Fixed Income on the back of global growth recovery, stronger local economies and the continued weakness of the US dollar
- Spread sectors continued their positive performance run with Investment Grade and High Yield credit spreads both tightening on the back of a strong economic backdrop and investor demand

Equities

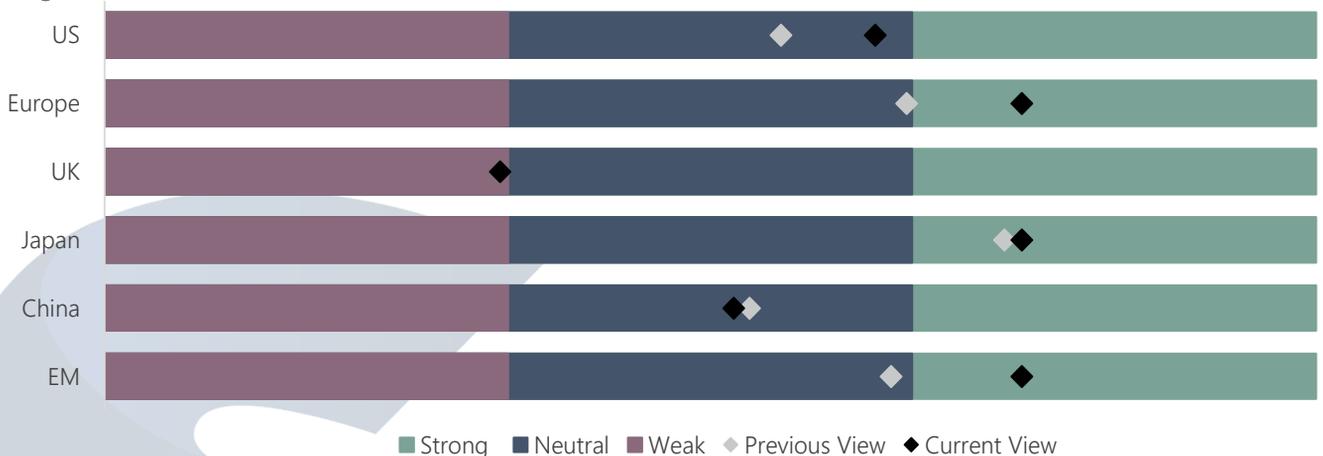
- UK equities was the best performing market over December, as broad based commodity strength helped energy companies
- Tax cuts provided further momentum in US equities whilst European Equities resumed their rise over the month, despite a stronger Euro, as PMI's across the region continued to move higher
- Asia and Emerging Markets were also higher helped by US dollar weakness, both were top performing regions over the year, up 42% and 38% respectively
- Japan enjoyed strong performance in the fourth quarter of the year, catching up with other markets, as investors took note of continued improvements domestically, rising exports, a stable political situation and the relative attractiveness of valuations

Alternatives & FX

- Commodities had their strongest monthly performance of 2017 in December as the Bloomberg Commodities Total Return Index (BCOM) closed up 3.0%
- Industrial metals were the standout performers with Nickel and Aluminium up 14.8% and 10.8%, respectively – Nickel continues to rise around the demand related to batteries for Electric vehicles and Aluminium from tighter supply conditions
- The DXY US Dollar Index ended the month down -1.0% (-9.9% year-to-date) as three interest-rate hikes by the Fed and the eventual passing of US tax reform were not enough to continue the dollar's multi year-long rally (2013, 2014, 2015 and 2016). Low inflation weighed on perceptions of how high the central bank would raise rates and strong economic performances by countries around the world made the dollar comparatively less attractive

6-9 Month Outlook: current month vs previous month

Signia Macroeconomic Outlook



Source: Signia Wealth. Data as at 31/12/2017

- We are most positive on the strength of the economic outlooks for Europe, Japan and the Emerging Markets, and remain most cautious for the outlook on the UK economy
- In the US, the passing of tax cuts and reforms by congress should further support a continuation of a solid economic expansion for an economy that was in the latter stages of its cycle
- The European economic and earnings recovery are earlier in their cycles and gathering momentum, but face potential headwinds from a less accommodative European Central Bank and strengthening domestic currency
- Declining real wages and an uncertain Brexit outlook with the European Union is beginning to weigh on consumer sentiment, retail sales and the outlook for the UK economy
- The curbing of pollution levels in China is an environmental positive but comes at an economic cost by slowing industrial output growth at a time when the corporate sector is deleveraging and economic growth is slowing
- The Japanese and Emerging Market economies stand to benefit most from a continued synchronised global economic expansion that is expected to remain robust next year

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