SIGNIA: IN TUNE WITH YOU

SIGNIA
TALKING POINTS

DECEMBER 2019

Phone

+44 (0)20 7298 6060

Online

Email: info@signiawealth.com
Website: www.signiawealth.com

The decade ends on a high

As the decade has drawn to a close 2019 will be remembered as yet another year post the Great Financial Crisis whereby investors have profited from being "long the market". The themes of 2019 have almost all been constructive: central banks have cut interest rates, equities have rallied on ever looser monetary policy and the risks associated with many of the various geopolitical events have, rightly or wrongly, been largely discounted by markets.

In 2019 global equities, as measured by the MSCI All Country Index, rallied 26% and the Bloomberg Barclays Global Aggregate Index, a broad measure of bond performance, rallied 6.5%. The usual negative correlation between these two asset classes has reversed as the secular bull market in bonds continues and lower costs of borrowing support equity prices

Whilst positive trade war news and solid rather than spectacular economic data has helped, there is no doubt the major contributor to the 2019 bull market has been the Federal Reserve pivoting from a hawkish stance at the end of 2018 to a dovish stance in 2019.

The extent of the rally is surprising given the global growth slowdown in 2019.

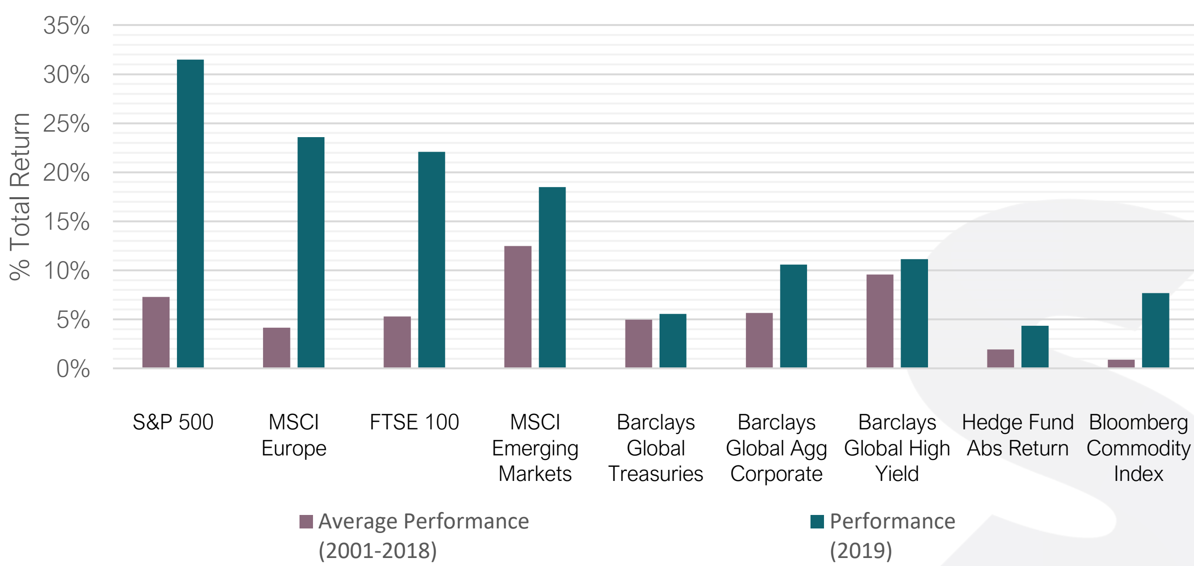
In January 2019 the IMF predicted global growth for 2019 at 3.5%, by October this was revised down to 3%, its lowest level since 2008-09. China, the engine of global growth, is forecast to grow 6.2% in 2019 compared to the 6.6% it grew in 2018.

There was not much help from corporate balance sheets either. Whilst 2018 saw earnings growth of more than 20% accompanied by the S&P 500 declining 4.4%, 2019 saw earnings growth forecast to be just above zero with the S&P 500 rising 31.5% in total return terms. Since earnings growth has stagnated, equity performance has come from multiples expansion, that is, investors willing to pay more for a company which is not making any more money.

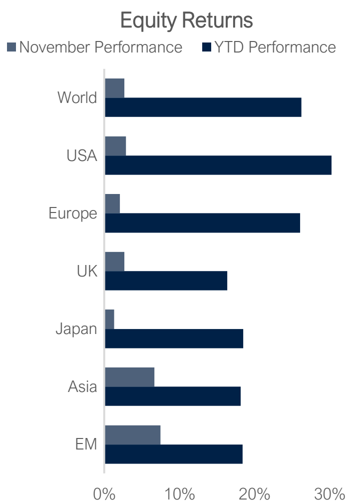
All of which points to the difficulty in translating hard economic data to financial market levels. For now markets seem unfazed about the economic cycle imminently ending or a recession. Investor sentiment can however change swiftly and there are, as ever, a number of risks which could prove the current, broadly constructive market forecasts for 2020, to be misplaced.

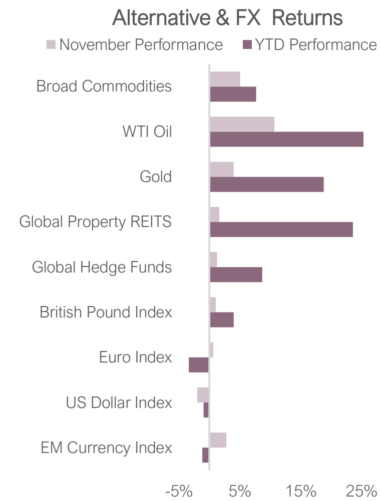
Ammalan Annalingam
Co-Head of Multi-Asset Investments

Average Performance vs Yearly Performance



Source: Signia Wealth, Bloomberg. Data as at 31/12//2019.





Source: Bloomberg, Signia Wealth. Data as at 31/12/2019.

Equities: Equity indices reflect MSCI net total returns in local currency, except Asia and EM in USD. Fixed Income: Global Agg: Bloomberg Global Aggregate TR Hedged GBP; Global Sovereign: Bloomberg Global Treasury TR Hedged GBP; Global IL: Bloomberg World Govt 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 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.

Equities

Jack Rawcliffe
Senior Equity Fund Analyst

- Asian and emerging market equities achieved the highest returns in December, fuelled by improving trade news and risk-on sentiment globally.
- US equity indices were next best, with trade and risk-on sentiment again helping to drive gains.
- UK equities also recorded a strong positive month, with the clear election outcome buoying investor appetite for UK assets.
- European and Japanese bourses lagged in relative terms, but still posted positive returns for the final month of the year.

Fixed Income

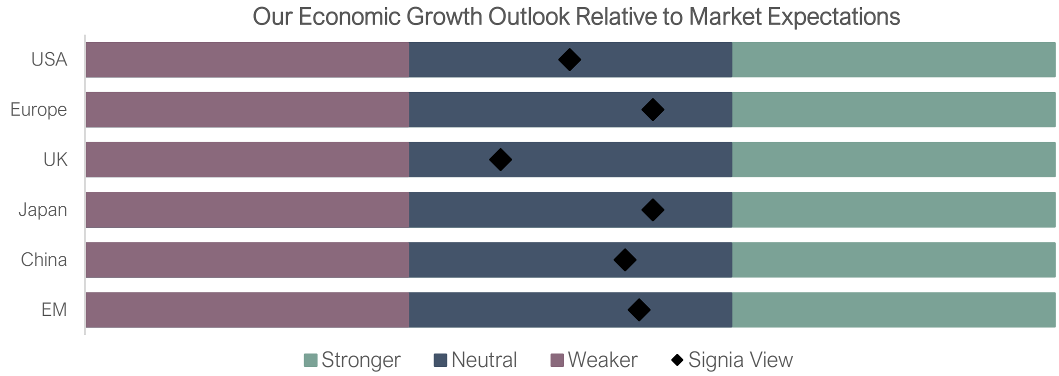
Grégoire Sharma
Fixed Income Fund Analyst

- December proved to be a poor month for safe-haven assets as the risk-on sentiment spurred by the positive news surrounding the US-China trade war saw investors shy away from sovereign debt.
- Low volatility in markets and strong technicals supported credit markets as global investment grade credit finished up 0.4% whilst global high yield credit, further supported by the strength in oil markets, ended the month up 2.6%.
- Emerging Market Debt had a good month with hard currency debt returning 2.1% as global geopolitical concerns eased off.

Alternatives & FX

Harry Elliman
Investment Analyst

- Commodities outperformed due to a trend in healthier economic data and easing geopolitical tensions. Gold also rose despite volatility easing, however this was also as a result of a softening US Dollar.
- The British Pound saw volatile price swings in the month of December as a result of Boris Johnson securing a Conservative majority and stating that there will be no extension past December 2020 - creating fears of a no-deal Brexit.
- December saw a high demand for both commodity based and emerging market based currencies, further conveying the markets risk on approach, demand for EM based assets, and a depreciating US Dollar.



Source: Signia Wealth, Bloomberg. Market Expectations are represented by the Bloomberg Contributor Composite. Data as at 31/12/2019.

United States of America

The Federal Reserve has cut interest rates three times since the summer to combat declining trade war related growth indicators and a potentially stalling economy in Q4 and Q1. Healthy wage growth is supporting domestic consumers and household balance sheets, but labour market momentum is slowing. In the corporate sector, profit margins have peaked and leverage is rising. 2020 recession risk remains low but political risk will likely be a major economic headwind.

Europe

Growth and inflation indicators remain weak below long-term trends, led by German and Italian near-recessions, whilst heightened economic uncertainty has caused a decline in real investment and business expectations. The ECB increased its stimulus measures by cutting interest rates, launching a third longer-term refinancing operation, and restarting its quantitative easing programme. The uncertainty of the UK election has now been dismissed but a potential hard Brexit is still possible by the end of 2020.

United Kingdom

The economy remains in a delicate state despite a healthy jobs market, with monetary policy tied to a Brexit outcome. Profit growth and business confidence remain depressed and are weighing on the value of the British Pound and although the election has now concluded, Prime Minister Johnson's self imposed deadline to finalise a trade deal with the EU means Brexit related market moves will be present for 2020.

Japan

Despite a very accommodative Bank of Japan (BoJ), economic growth remains anaemic and supported by domestic demand, and with both consumer and business sentiment indicators also weak following a recent consumption tax hike, the economy is expected to remain in stall-speed near zero. The BoJ could follow the ECB into additional quantitative easing as the economy struggles and inflation expectations remain near zero.

China

The export drag on the economy from the trade war with the USA is worsening. Authorities have reaffirmed their support to stimulate the economy and contain any slowdown in order to achieve its GDP growth target of 6%-6.5% for 2019, which is looking tenuous. Recent fiscal impulse has been sizeable but will only provide lagged support to the economy. US policymakers have passed a Hong Kong human rights bill that threatens completion of a phase one trade deal.

Emerging Markets

EM central banks have joined the US Federal Reserve this year in easing financial conditions and providing needed support for emerging market asset prices in the face of a slowing global growth landscape and stronger US Dollar. Some EM policy rates have reached record lows (South Korea / Brazil). Prolonged US-China trade tensions are causing a decline in Chinese demand and re-alignment of Asian supply chains.

Important Information

The information set out in this document has been provided for information purposes only and should not be construed as any type of solicitation, offer, or recommendation to acquire or dispose of any investment, engage in any transaction or make use of the services of Signia. Information about prior performance, while a useful tool in evaluating Signia's investment activities is not indicative of future results and there can be no assurance that Signia will generate results comparable to those previously achieved. Any targeted returns set out in this document are provided as an indicator as to how your investments will be managed by Signia and are not intended to be viewed as a representation of likely performance returns. There can be no assurance that targeted returns will be realised. An estimate of the potential return from an investment is not a guarantee as to the quality of the investment or a representation as to the adequacy of the methodology for estimating returns. The information and opinions enclosed are subject to change without notice and should not be construed as research. No responsibility is accepted to any person for the consequences of any person placing reliance on the content of this document for any purpose.

No action has been taken to permit the distribution of this document in any jurisdiction where any such action is required. Such distribution may be restricted in certain jurisdictions and, accordingly, this document does not constitute, and may not be used for the purposes of, an offer or solicitation to any person in any jurisdiction were such offer or solicitation is unlawful. Signia Wealth is authorised and regulated by the Financial Conduct Authority.

FOCUSED
AND SPECIALISED

Signia is a private investment office that finds fresh but secure ways to manage money so that entrepreneurs can enjoy their wealth.
We create investment strategies that work for individuals and institutions.

We enjoy working with successful people, creating and managing global investment portfolios.
Our clients are entrepreneurs who value independence.

We respect that and provide a personalised service to meet individual objectives.
By meeting your needs, by being serious about your money, we establish good relationships. We think you'll enjoy working with us.

We're not vast in scale. We're small enough to know our clients well, so we have informed conversations rather than academic lectures. It's all based on experience and understanding, with the belief that you want to enjoy your money, not worry about it.

You've created wealth. Now you want to do the best you can with it, something that satisfies all your instincts.

With your wealth comes responsibility, and we make every effort not only to grow your investments but to understand what you really want to achieve with them.

MULTI-ASSET INVESTMENT

We think long-term – that achieves the best results. So we manage long-only investment portfolios and we stick to guidelines agreed with you.

HEDGE FUND INVESTMENT

If you seek attractive risk adjusted returns, we use our expertise to consistently deliver this for you.

CASH MANAGEMENT & DEBT

Cash and debt need to be managed well. We consider both alongside your other investments.

PRIVATE CAPITAL

Intellectual capital can be just as important as investment. Our clients appreciate that we bring them together to make the best deals.

SIGNIA: IN TUNE WITH YOU

LETS START THE CONVERSATION

We can help you to administer your global wealth; from managing your investments to setting a cross-border strategy for your current and future generations or investing for a social impact.

Whatever your needs we will work with you to find a solution, call us on +44 (0)20 7298 6060.

Phone

+44 (0)20 7298 6060

Online

Email: info@signiawealth.com
Website: www.signiawealth.com