SIGNIA TALKING POINTS

November 2017

SIGNIA

Musical Chairs But Not Enough Governors

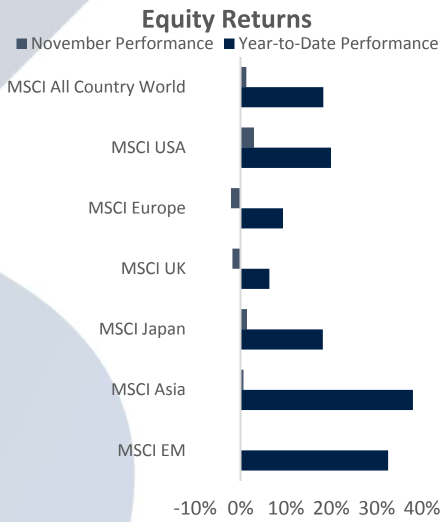
It is all change at the Federal Reserve (Fed) the central bank responsible for setting U.S. interest rates and monetary policy, where the music is about to stop for Chairwoman Janet Yellen. Nominated as the first woman Chair of the Federal Open Market Committee (FOMC) by President Obama in January 2014, Yellen was not re-nominated by President Trump, who instead opted for a Republican to fill her seat. Jerome Powell, also currently sitting on the now sparsely populated Board of Governors at the FOMC, was confirmed in November as her replacement, but his appointment creates yet another opening to be filled following several high profile resignations and early retirements this year. The appointment of Powell, who is known for his consensus building and collaborations with Yellen at the FOMC since 2012, does bring some stability to the status quo and most likely the market-friendly monetary policy that investors have become accustomed to. However, in the absence of a Ph.D. in economics on his CV and his general neutrality towards monetary policy, perhaps the real power at the Fed now lies with those around him and those yet to fill the empty seats.

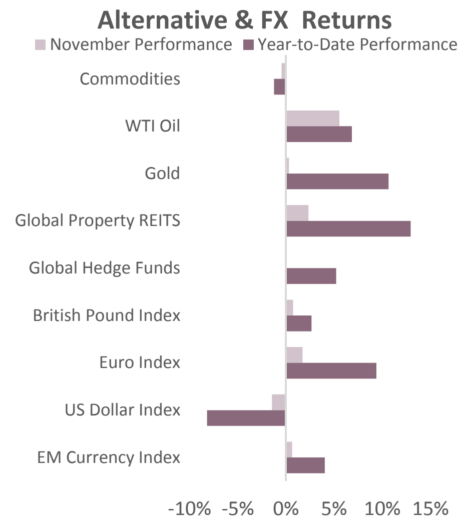
2017 FOMC Voting Members and their Policy Inclinations: [-2 = Dovish; 0 = Neutral; +2 = Hawkish[(1)]]

Board of Governors		Alternate Voters [(2)]	
Janet Yellen, Chair [(3)]	-1	Loretta Merster, Cleveland	+1
(Vacant, Vice Chair of Board of Governors)	N/A	(Vacant, Richmond)[(4)]	N/A
Lael Brainard, Governor	-1	Raphael Bostic, Atlanta	0
Jerome Powell, Governor[(5)]	0	John Williams, San Francisco	+1
Randal Quarles, Vice Chair for Supervision	0		
(Vacant, Governor)	N/A		
(Vacant, Governor)	N/A		
Voting Regional Federal Reserve Board Presidents		**Non-Voters**	
William Dudley, Vice Chair of FOMC, New York [(3)]	-1	James Bullard. St. Louis	-2
Charles Evans, Chicago [(3)]	-1	Esther George, Kansas City	+2
Patrick Harker, Philadelphia [(3)]	+1	Eric Rosengren, Boston	+1
Robert Kaplan, Dallas [(3)]	0		
Neel Kashkari, Minneapolis [(3)]	-2		

(1) Bloomberg economists' numerical ratings assessment (2) Non-voting unless required to vote in the absence of a voting member
(3) Term ending in 2018 (4) Richmond Fed's Mark Mullinix assumes duties until a new president is appointed (5) Chair nominee.

Market Returns





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 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 30/11/2017.

Fixed Income

- US treasury yields were range bound this month as markets anticipated the outcome of a potential deal on US tax reforms and the successor to US Fed Chair, Jerome Powell, is expected to keep a similar stance on a gradual rate hike path as the US attempts to normalise interest rates
- Global high yield spreads widened significantly halfway through the month on the back of outflows, reflecting that investors are taking profit, before narrowing slightly again and ending the month 12 basis points wider. Both investment grade and high yield credit spreads are still close to historic lows as market volatility remains benign
- Emerging market debt spreads were largely unmoved on the month as the economic backdrop still supports the asset class

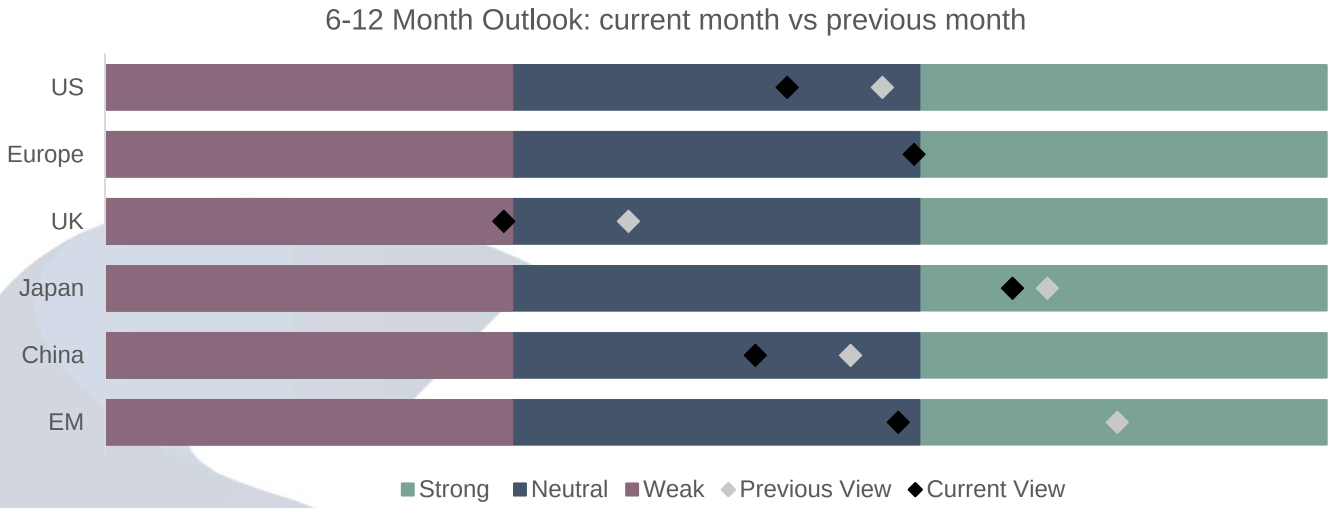
Equities

- Global equities continued to perform strongly, helped over the month by strong Q3 Eurozone GDP numbers and the European Central Bank signalling a gradual approach to the removal of quantitative easing
- Developed market equities ended the month +1.6%, outperforming their Emerging market counterparts, which fell slightly (-0.8%)
- US equities were the standout performer within Developing Markets (+3.1%), as the appointment of Jerome Powell was seen as a vote of continuity in Fed policy
- Despite strong European growth during the month, political uncertainty helped to weigh on European equities as coalition talks in Germany collapsed

Alternatives & FX

- Commodities had a mixed month in November with the broad Bloomberg commodity index down -0.5%. Weakness in industrial metals (-4.2%) and Livestock (-5.9%) was partially offset by strength in Energy (+2.3%), Petroleum (+3.0%) and Soft commodities (+2.5%). WTI Crude Oil had a strong month up +5.3%, with confirmation of an extension of OPEC cuts coming post month-end
- The US Dollar gave back its gains from October during the month of November. The DXY Index ended the month down -1.5%, the US Dollar now remains down against all G10 currencies over the last 12 months other than the New Zealand Dollar

Signia Macroeconomic Outlook



Source: Signia Wealth. Data as at 30/11/2017

- We are most positive on the strength of the economic outlooks in Europe, Japan and the Emerging Markets, and remain most cautious for the outlook on the UK economy
- In the US, we acknowledge that a continuation of what has been a solid economic expansion in the latter stages of its cycle, is increasingly contingent on a benign inflation and monetary policy environment, and the passing of tax reforms by congress
- The European economic recovery is earlier in the cycle and gathering momentum but faces potential headwinds from a less accommodative European Central Bank and strengthening domestic currency
- Declining real wages and slow progress on a Brexit deal with the European Union is beginning to weigh on consumer sentiment, retail sales, and the outlook for the UK economy
- The Japanese and Emerging Market economies stand to benefit most from a continued synchronised global economic expansion that is expected to remain fairly robust next year

Important Information