SIGNIA: IN TUNE WITH YOU

SIGNIA
TALKING POINTS

NOVEMBER 2019

Phone

+44 (0)20 7298 6060

Online

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

The summer streak is nearly a Santa rally

For many investors 2019 will be remembered as the year of 'The Great Fed Pivot', where US Federal Reserve (Fed) policymakers tasked with setting monetary policy dramatically shifted their stance, from continuing three years of tightening monetary conditions to swiftly loosening policy with aplomb. Following a very difficult 2018 for markets where US interest rates were raised from 1.5% to 2.5% in four quarter-point increments, the Fed announced tentative plans for a further three quarter-point increases in 2019. Instead, as this year unfolded these plans were put on ice when it became clear during the summer that the US economy was suffering from trade war attrition with China. The Fed promptly reduced interest rates three times to support the economy, with a quarter-point cut at each consecutive meeting from July through to October. Quite a U-turn.

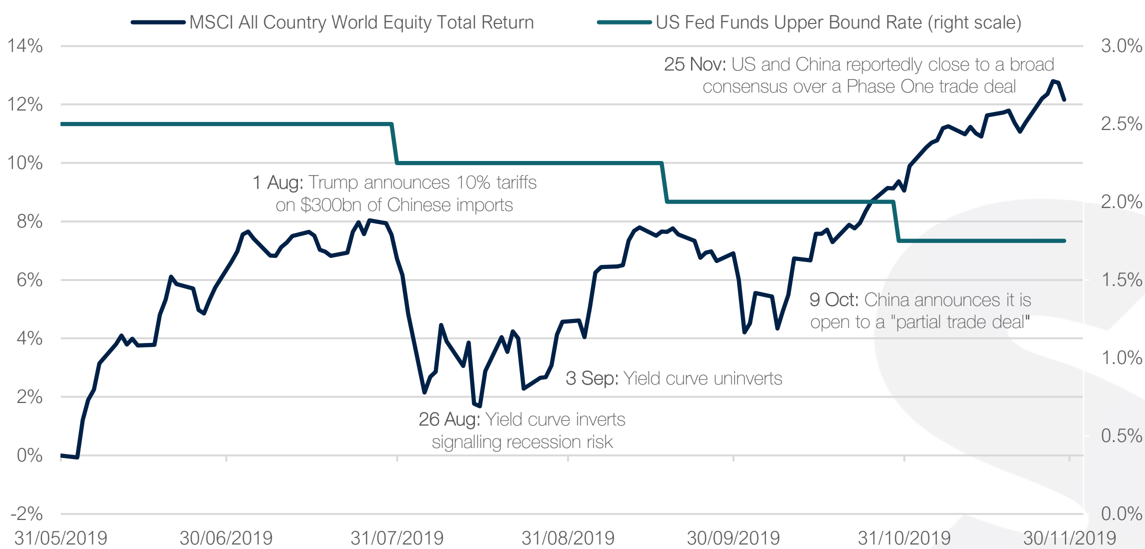
Arguably, this pivot from tightening to loosening financial conditions for the economy was needed, as US GDP growth had slowed sharply from 3.5% in the second quarter of 2018 to 2.0% in the second quarter of 2019. Adding to concerns was a flattening US yield curve on the edge of inversion, which has historically preceded a US economic recession when the 10-year government bond yield declined below the 2-year government bond yield. This is referred to as a yield curve inversion because yield curves are typically upward sloping to compensate investors for taking time risk, but when markets think the central bank has 'fallen behind the curve' and needs to lower interest rates, this phenomena occurs.

This is what happened in August when equity markets sank following an escalation in trade war rhetoric. A surprise Trump tweet announced that the US would implement new tariffs of 10% on the remaining $300bn of imports from China, in addition to the 25% tariff already planned on another $250bn of Chinese imports. This was enough to slightly invert the yield curve. However, the inversion was short-lived (8 days in fact), as trade negotiations re-started towards a phase one trade deal, and with two more rate cuts delivered by the Fed the yield curve quickly uninverted and equity markets recovered.

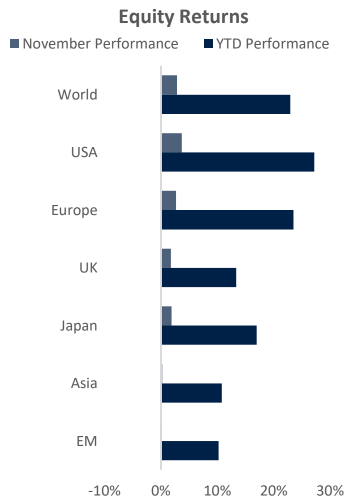
Global equities have not looked back since, rallying 10% off their August lows to bring year-to-date gains to a very healthy 23%. Investors are hoping this can extend further into a Santa Clause rally to cap a near perfect year. This may well happen, but they will surely be looking forward to a festive break from Mr Trump's twitter feed.

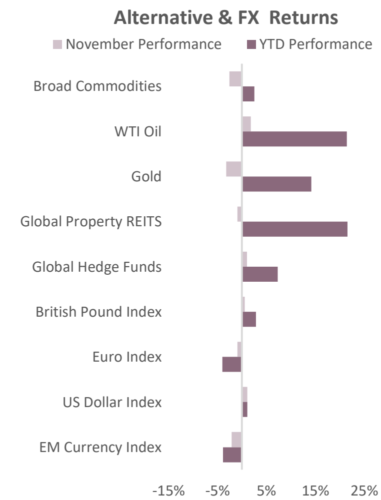
Robert Lee
Co-Head of Multi-Asset Investments

Looser Financial Conditions Have Helped Equities Weather Trade War Volatility



Source: Signia Wealth, Bloomberg. Data as at 30/11/2019.





Source: Bloomberg, Signia Wealth. Data as at 30/11/2019.

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

- US equity markets outperformed in November with positive trade news and shifting political dynamics supporting sentiment, closely followed by European bourses which benefitted from improving economic data
- Indices in the UK and Japan posted very similar returns, which were positive but lagged their European and US counterparts
- Asian and emerging market equities underperformed, with country-specific factors weighing on returns

Fixed Income

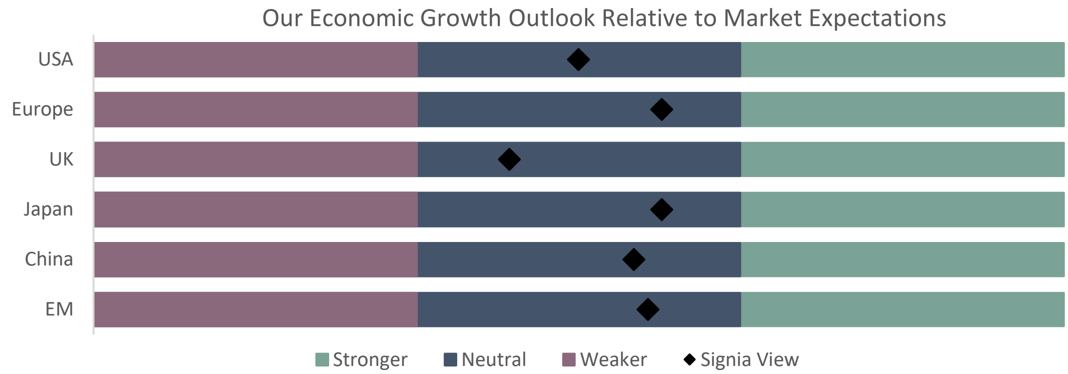
Grégoire Sharma
Fixed Income Fund Analyst

- November was a risk-on month and as a result safe haven assets suffered with global sovereign bonds generating slightly negative returns
- Global Credit Markets posted only modestly positive returns as both investment grade and high yield credit markets benefitted from improving economic data and abating trade concerns
- In Emerging markets, local currency was the largest underperformer asset class on the back of US dollar strength

Alternatives & FX

Thomas Sollis
Investment Analyst

- Commodities broadly fell with gold down on easing geopolitical tensions and tentative signs of improvement in developed economies
- The British Pound is marginally up on the month as polls suggest an increasing likelihood of a Conservative majority in the December general election
- In emerging market currencies the Brazilian Real moved to a record low against the dollar after data showed a worsening trade balance



Source: Signia Wealth, Bloomberg. Market Expectations are represented by the Bloomberg Contributor Composite. Data as at 30/11/2019.

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. Brexit risks remain high as the UK prepares for a general election on 12 December.

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, although the currency has stabilised recently as the first December general election in nearly a century looms. Regardless of the result the risk of an economic recession in 2020 remains high.

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