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TALKING POINTS

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The Divided States of America

On Tuesday 8 November 1960, during the closest American election in recent history, John F. Kennedy won the popular vote by less than 120,000 votes out of 68.8 million votes cast to receive 303 electoral college votes to Richard Nixon's 219. Nixon officially conceded the following day by telling his friend and journalist, Earl Mazo, that "our country cannot afford the agony of a constitutional crisis". Not wanting to damage his future political career (ironically he did so 12 years later with the Watergate scandal) he made the ultimate sacrifice, Nixon refused to ask for a recount. Of course there were no postal votes to deal with at this time, but in later years in an autobiography he claimed that widespread fraud happened in Illinois and Texas which cost him the 1960 election.

This year's election will unquestionably be remembered in the history books as another close and controversial one. It's set to be the tightest US election in 20 years since George W. Bush edged past Al Gore to the White House with a margin of only half a million popular votes and 50.4% share of electoral votes. The 2020 election has produced the highest voter turnout since 1900, currently projected to be 66.5%, and has seen the highest number of early votes cast in history with over 100 million Americans participating before election day. Joe Biden is set to win the most popular votes than any other candidate in history, taking 77 million votes versus 72 million votes for Donald Trump, which in turn will be the most votes ever won by a Republican candidate. Trump will be the first one-term president in 30 years and the only one ever to lose the popular vote twice. This US election has indeed been remarkable and has lived up to the rollercoaster shock and awe levels that we have become accustomed to in 2020.

Equity market returns following closely contested elections throughout American history have been mixed, and usually influenced more by prevailing market and macroeconomic factors rather than new political policies and agendas. With the exception of Trump's 2017 tax cuts, the big S&P 500 moves following the 1960 and 2000 elections were driven by a booming economy in 1961, the bursting of the 90's tech bubble in the early 00's, and the 9/11 terrorist attacks.

As things stand today, the 2020 post-election process looks set to be one of the most divisive and drawn out in history, with Donald Trump and some senior Republican party leaders alleging fraud, calling for a recount in Wisconsin, and filing lawsuits in Arizona, Georgia, Michigan, Nevada and Pennsylvania.

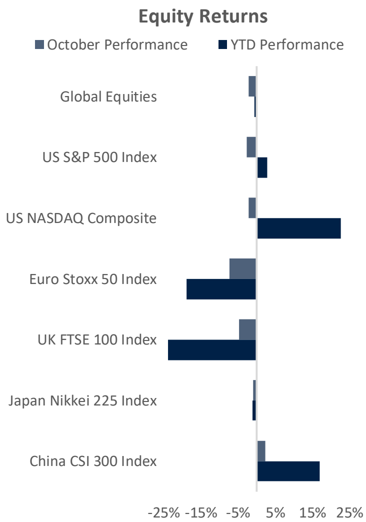
Robert Lee
Co-Head of Multi-Asset Investments

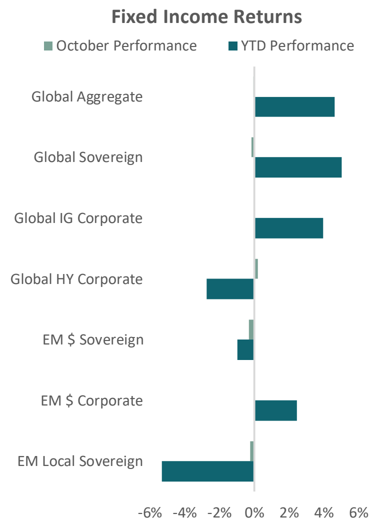
'Close' Election Years – defined as within 3% margin of the popular vote, since S&P 500 inception in 1926

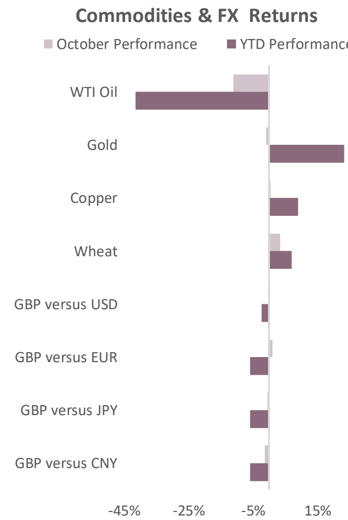
President	Party	Election Year	Share of Electoral Vote	Share of Popular Vote	Turnout	12 Month S&P 500 Return*
John F. Kennedy	Democratic	1960	56.4%	49.7%	63.8%	31.0%
Richard Nixon	Republican	1968	55.9%	43.4%	62.5%	-2.7%
Jimmy Carter	Democratic	1976	55.2%	50.1%	54.8%	-7.2%
George W. Bush	Republican	2000	50.4%	47.9%	54.2%	-20.9%
George W. Bush	Republican	2004	53.2%	50.7%	60.1%	8.3%
Donald Trump	Republican	2016	56.5%	46.1%	60.2%	24.0%
Joseph Biden	Democratic	2020	53.9%**	50.8%**	66.5%**	7.2%***
						Average: 5.7%

*12-month S&P 500 index total return from election day
**Projections as at 10/11/2020 based on 95% of votes counted
***Market return 3/11/2020 to 10/11/2020

Source: Signia Wealth, Bloomberg, Wikipedia, Washington Post. Data as at 31/10/2020.







Source: Signia Wealth, Bloomberg. Data as at 31/10/2020.

Global Equities: iShares MSCI ACWI ETF; Global Aggregate: Vanguard Global Bond Index GBP Hedged Fund; Global Sovereign: Xtrackers Global Government Bond GBP Hedged ETF; Global IG Corporate: Vanguard Global Corporate Bond Index GBP Hedged Fund; Global HY Corporate: iShares Global High Yield Corporate Bond GBP Hedged ETF; EM$ Sovereign: iShares J.P. Morgan USD EM Bond ETF; EM$ Corporate: iShares J.P. Morgan USD EM Corporate Bond ETF; EM Local Sovereign: iShares J.P. Morgan EM Local Government Bond ETF.

Equities

Jack Rawcliffe
Senior Equity Fund Analyst

- European equities sold off sharply in October, as escalating coronavirus cases and subsequent economic lockdowns soured investor sentiment.
- UK and US bourses fared somewhat better but still ended the month down, with the latter also affected by political uncertainty.
- Asian equity indices outperformed their equity peers, with better control of coronavirus and improving economic data buoying investors.

Fixed Income

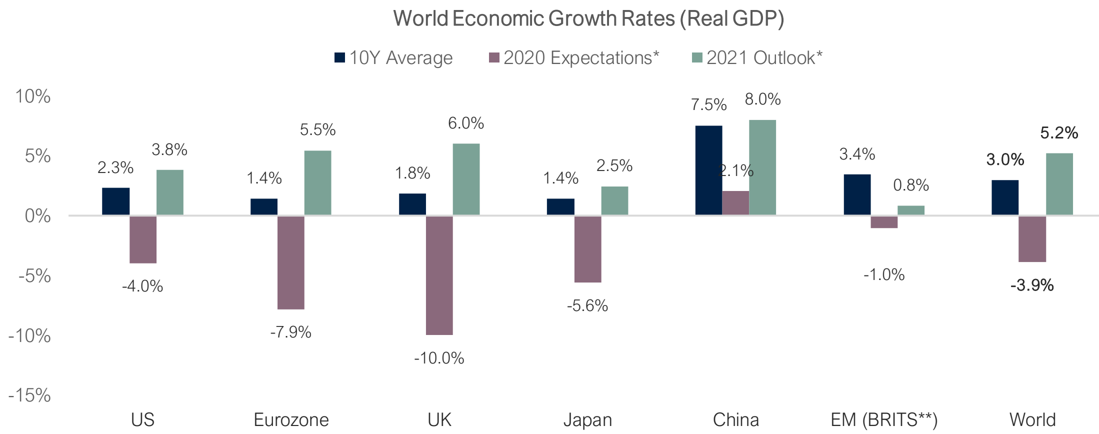
Grégoire Sharma
Fixed Income Fund Analyst

- The global sovereign debt index was flat on the month as investors looked to safe-havens given the resurgence of Covid-19 cases across the globe and the re-instatement of lockdown measures across Europe.
- Global corporate credit finished the month slightly up in dollar hedged terms, benefitting from strong central bank support and investors' search for yield.
- Emerging market debt was not spared from the risk-off sentiment with all three major EMD sub-indices ending the month in negative or flat territory, led by hard currency sovereigns as uncertainty around the US elections resulted in a 'persistent flight to quality'.

Commodities & FX

Harry Elliman
Investment Analyst

- WTI Crude Oil continued its decline for the second month in a row, falling 11% as concerns surrounding demand and supply sustained following increased lockdowns globally and an upheave in production from Libya . The commodity is down over 41% for 2020.
- Volatility took hold, as Wall Streets fear gauge the "Vix" rose over 44% as virus and election uncertainty took focus. Whilst Gold's "safe haven" status was tested as a result of a rising US Dollar and muted inflation expectations.



*Bloomberg Contributor Composite expectations. **Brazil, Russia, India, Taiwan, South Korea.
Source: Signia Wealth, Bloomberg. Data as at 31/10/2020.

United States of America

The US economy has rebounded quicker and stronger than expected over the summer after the shortest sharpest recession in history, which saw the economy contract -10.4% in nominal terms during the first half of 2020. However, coronavirus infections remain high, political risk is elevated, and congress remains divided on further fiscal stimulus measures to help main street where small businesses are struggling.

Eurozone

Europe has experienced a deeper economic recession this year versus other regional economies and deflation risk is a real concern with consumer prices declining -0.3% year-on-year in October. Second economic lockdowns are now being implemented across Germany, France and other Eurozone nations and are further pressuring inflation expectations, However, with the European Recovery Plan now agreed amongst member states and additional ECB stimulus on the way in December, expectations for higher economic growth in 2021 and beyond are rising.

United Kingdom

The UK suffered a worse economic and humanitarian fate relative to the Eurozone after being slower to introduce coronavirus containment measures that were amongst the strictest in Europe. With Lockdown 2.0 announced for England in November, and other devolved nations also tightening their restrictions, an economic contraction in Q4 looks increasingly possible alongside a no-deal Brexit at the end of the year.

Japan

The ruling Liberal Democratic party has elected Yoshihide Suga to succeed PM Shinzo Abe, who resigned due to health reasons. Abe leaves a Japanese economy that has been supported by some of the most significant monetary and fiscal stimulus packages announced by any country relative to its size. Japan has managed to contain any meaningful second wave of Covid-19 infections and economic growth indicators for 2020 are outperforming most of their G10 counterparts.

China

China is one of very few global economies that has avoided an economic recession this year by growing an impressive 4.9% year-on-year in the third quarter after quickly returning economic operating capacity back towards pre-pandemic levels. Chinese GDP is expected to continue its solid growth path and rebound close to its long-term historical growth rate of 8% in 2021. China's recently announced new five-year economic plan elevates its self-reliance in technology into a national strategic pillar, probably as a direct result of growing competitive tensions and trade wars with the US.

Emerging Markets

Emerging economies outside of Asia have been amongst the last to feel the full economic and humanitarian impact from the coronavirus crisis. Performance is expected to be mixed this year with commodity producers Brazil and Russia suffering from a collapse in prices, India as a net importer of commodities benefitting from price declines but suffering badly from a prolonged and damaging first wave on infections; and Taiwan and South Korea feeling less economic pain due to successful virus containment measures and buoyant trade tailwinds with China.

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AND SPECIALISED

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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.

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

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