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TALKING POINTS

OCTOBER 2019

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It's starting to feel a lot like Brexmas

Nearly a century ago in 1923 Britain, the world was a very different place: society was still recovering from World War I and women were still fighting for the right to vote on equal terms with men. However, the situation in the British House of Commons bore a remarkable resemblance to the fragmented and uncertain state that we find it in today. Back in 1923, an incumbent Conservative government led by its former Chancellor of the Exchequer and unelected Prime Minister, Stanley Baldwin, was in turmoil following the resignation of his predecessor. Despite the party only recently being elected to power, a December election ensued as the government sought a new mandate from the people. Britain has not had another December election since, until now.

The Brexit clock for the ongoing saga has been ticking since the June 2016 referendum, but following three deadline extensions this year including a Halloween Brexit deadline that scared no one, the latest deadline date has been reset for 31st January 2020 to allow for a festive general election vote two weeks before Christmas.

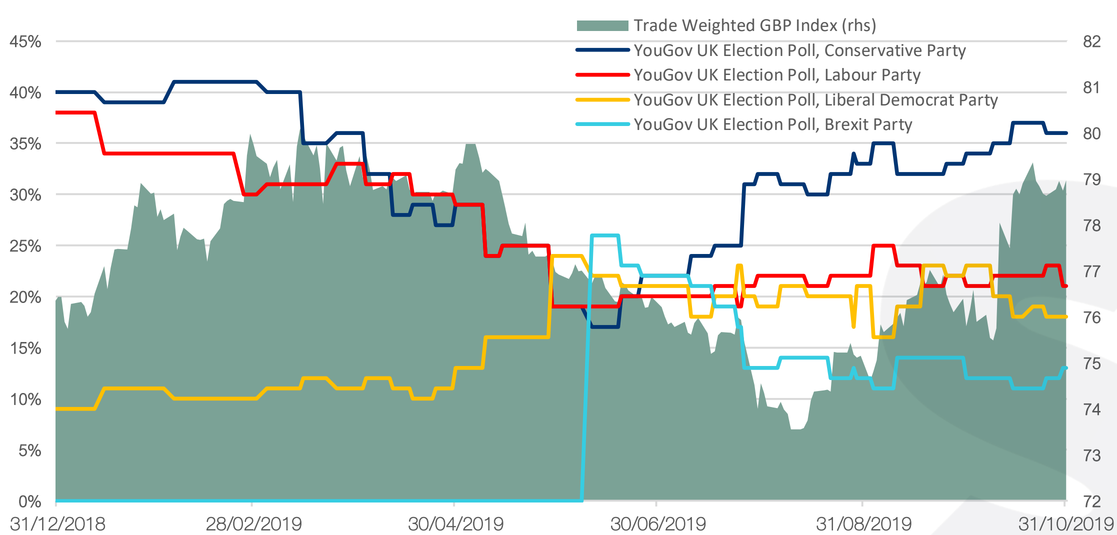
Brexit frustration across the country has translated into a formidable head start in the polls for Boris Johnson's Conservative party. According to the YouGov poll this lead was as much as 15 points ahead of Labour and 18 points ahead of the Liberal Democrats at the end of October. This has helped the value of Sterling strengthen over 7% against the currencies of the UK's major trading partners since mid-August, as a new and acceptable Conservative Withdrawal Agreement with the EU became a reality.

However, since the Brexit party launched earlier this year and was the clear winner in the UK's European elections in May, they risk threatening to split the Brexit leave vote and raise the prospect of a hard Brexit once more. With the Withdrawal Agreement transition period due to end on 31st December 2020, whatever happens on 12th December 2019 one thing is certain, the UK will start 2020 inside the EU and unless the transition period is extended by July 2020, it will end the year outside the EU.

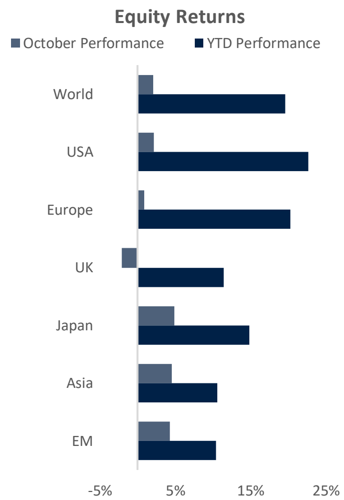
In the December 1923 general election the Conservative Party lost seats to both Labour and the Liberals, resulting in a hung parliament and an eventual Labour government supported by the Liberals. Can history repeat itself this time round? When it comes to Brexit, stranger things have happened.

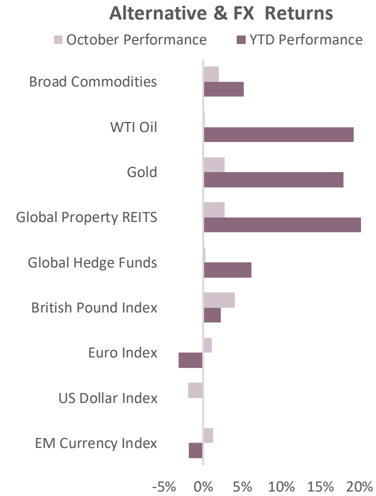
Robert Lee
Co-Head of Multi-Asset Investments

The Value of Sterling Has Been Tied to a Brexit Outcome This Year



Source: Signia Wealth, Bloomberg. Data as at 31/10/2019.





Source: Bloomberg, Signia Wealth. Data as at 31/10/2019.

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. 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.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. JP Morgan Emerging Market Currency Index.

Equities

Jack Rawcliffe
Senior Equity Fund Analyst

- Japanese, Asian, and emerging market equities rose the most in October, as improving economic data globally buoyed investors
- US equity markets were the next best, driven by supportive monetary policy, positive trade talks, and better than expected economic data
- European bourses did achieve modest positive returns, however weaker data prevented larger gains
- UK equities underperformed, with Sterling strength versus other currencies weighing on returns

Fixed Income

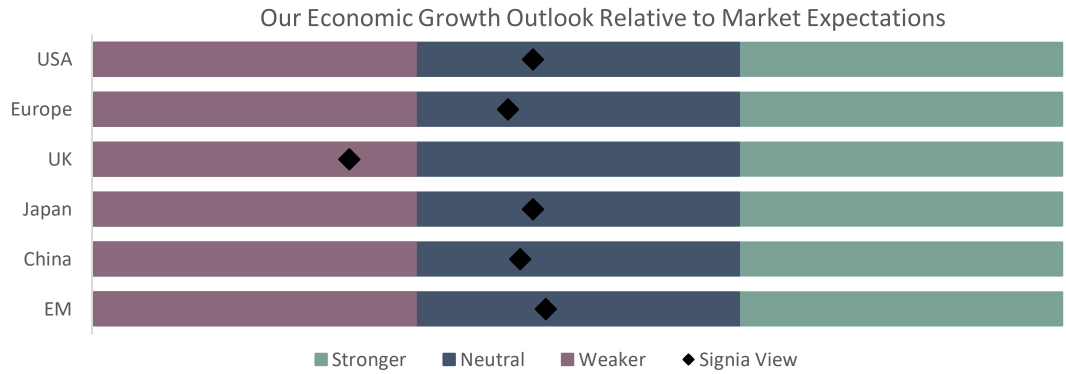
Grégoire Sharma
Fixed Income Fund Analyst

- Geopolitical tensions eased off in October leading to safe haven assets underperforming risk assets and global sovereign bonds ending the month slightly in negative territory
- Global credit was little moved this month as the respite in trade tensions and relatively good earnings season reports were balanced out by weak global growth expectations
- EM local sovereign debt was one of the best performing fixed income sub-asset classes in October, benefitting from the strength of EM FX currencies.

Alternatives & FX

Thomas Sollis
Investment Analyst

- Trade-sensitive commodities rallied in October following renewed optimism for a potential US-China ‘Phase 1’ trade deal
- Gold and Global Property REITs gained as central bank easing accelerated, driving down real rates for the former and mortgage rates for the latter
- The British Pound rose strongly after UK and EU negotiators finally reached an agreement on a revised Brexit deal that addressed the Irish backstop puzzle



Source: Signia Wealth, Bloomberg. Market Expectations are represented by the Bloomberg Contributor Composite. Data as at 30/09/2019.

United States of America

The Federal Reserve is in easing mode to combat declining growth indicators, a benign inflation outlook and rising external risks from a prolonged trade war. 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. The yield curve has 'uninverted', 2020 recession risk remains low, but political risk will be a major economic headwind.

Europe

Growth and inflation indicators remain weak below long-term trends, led by German and Italian slowdowns, 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 very delicate state despite a healthy jobs market, with monetary policy tied to a Brexit outcome. Profit growth and business confidence remain supressed and are weighing heavily on the value of the British Pound, although the currency has stabilised recently as the first December general election in nearly a century looms. The economy could already be in a technical recession, defined as two consecutive quarters of negative growth.

Japan

Despite a very accommodative Bank of Japan (BoJ) economic growth remains anaemic. Wage growth and consumer sentiment indicators are now also deteriorating, with a recent consumption tax hike further hurting the outlook for businesses and the Japanese economy. The Bank of Japan could follow the ECB into more quantitative easing as the economy stalls 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. Hong Kong protests continue with no end in sight and a painful war of attrition the most likely outcome.

Emerging Markets

EM central banks have joined the US Fed this year in easing financial conditions and providing meaningful 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). Drawn out US-China trade tensions are causing a decline in Chinese demand and re-alignment of Asian supply chains.

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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.

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

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CASH MANAGEMENT & DEBT

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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

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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.

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