



FEBRUARY 2020 REVIEW

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After a buoyant start to the year, January saw the outbreak of the coronavirus, originating in Wuhan, China and a pronounced turn in investor sentiment in the second half of the month.

As we are still in the early stages of the outbreak, it is hard to gauge exactly how the situation will develop but already it is being seen as a near-term drag on economic growth, especially in Asia.

The fixed income index returns are clear evidence of the mood of investors in January, with safe haven government bonds generating good returns as did risk-off currencies, the USD and JPY.

By contrast, emerging market debt and equities were both underperformers. As well as the Coronavirus fears, commodity price falls weighed on sentiment towards a number of countries, notably Brazil, Chile, Colombia and South Africa.

US economic data remained broadly stable. The unemployment rate remains at a 50-year low of 3.5%; muted wage growth is keeping inflation under control.

Central banks are expected to maintain their accommodative stance that has underpinned much of the recent equity market strength. However, the ECB announced a strategic review of its monetary policy following the appointment of Christine Lagarde, as President of the ECB.

Sterling was volatile, recovering sharply towards month-end after the Bank of England kept interest rates unchanged. This was slightly at odds with market expectations which had predicted a cut.

Within fixed income, corporate bonds generated reasonable returns in the month when compared to equity markets, delivering returns in line with government debt.

IMPORTANT INFORMATION

As with any investment, your capital is at risk. The value of an investment, and any income from it, can fall as well as rise. Investors may not get back the full amount they invest. Past performance is not a reliable indicator of future results. Personal opinions may change and should not be seen as advice or a recommendation. We recommend investors seek professional advice before deciding to invest.

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