



JANUARY 2020 REVIEW

14TH JAN 2020

There were strong returns from all equity markets in December, marking an exceptional year for risk assets. There was a sharp rotation away from US equities and into emerging markets, with the MSCI EM index rising 7.5% and EM debt also rallying.

Within Emerging Markets, the easing trade tensions benefitted exporters like China, South Korea and Taiwan. Meanwhile, a pick-up in crude oil prices was supportive of the Russian and Colombian markets.

The Conservative victory in the recent General Election helped UK mid-caps to generate very strong returns in the month. The election result also removed the threat of nationalisation for some utility companies and the utility sector in the UK rallied 6%.

Sterling was another beneficiary of the election result and ended the month up 2.4% against the

US Dollar but has still to recover to the levels prior to the Brexit referendum vote.

The rally in the pound meant global bonds were the worst performing part of the market, however the risk-on sentiment also meant UK gilts delivered a negative return in the month.

By contrast, credit spreads narrowed markedly, and high yield spreads are close to pre-GFC lows such as been the appetite among investors for income and risk.

To temper one's enthusiasm, it is worth noting the rally in equities this year was driven not by earnings but by multiple expansion. Stocks are trading on much higher multiples today than at the start of the year and earnings growth needs to start coming through for these valuations to be justified.

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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