



Global Markets Minesweeper

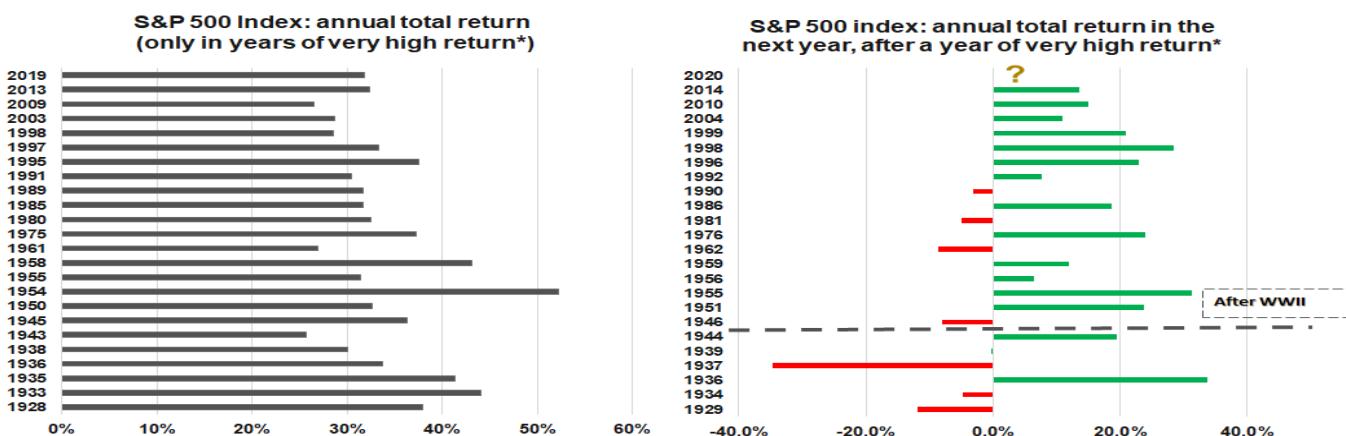
December 30, 2019

Global Markets Analysis
INVESTMENT PORTFOLIOS
MANAGEMENT DIVISION

During the last month of the year, the MSCI all countries **world** equity index posted historic high (27/12: 567.8), extending its strong year to date total return of 27.6%. The (Bloomberg Barclays) Global aggregate bond index (IG) has risen in December (0.39%), posting positive year to date total return of 6.6%. Gold and oil have both risen in 2019 (17.8% and 35.9% respectively). **EUR/USD** is currently (30/12) at a level around its average in 2019 (\$1.1195, 200-day average: \$1.1140).

Regarding the main equity indices, US stock market has overperformed. The S&P 500 has posted stronger total return in 2019 (27/12: 31.8%) versus the Stoxx 50 Eurozone (30.6%), the Stoxx 600 Europe (28.9%), the Nikkei index (21.6%) and the MSCI emerging index (19.1%). The MSCI US index has total return of 32% versus 22.5% of the MSCI all countries world excluding US. During the strongly “risk-on” period since the end of August, the total return of MSCI US index has been slightly lower (30/8-27/12/19: 11.4%) versus the world excluding US (12.1%).

Regarding the S&P 500 index, the total return of 2019 (27/12: 31.8%) is in the top quartile of annual performance since 1928 (threshold for top 25% of annual total return 1928-2018: 24.8%). Looking what happened after each one of the 23 years with total return in the top quartile (above 24.8%), we see that the year, which followed, delivered positive return at 70% of the cases. After world war II, in almost 3 out of 4 times (13 out of 17 years), the total return of the next year was positive (median total return of next year: 13.7%, lowest: -8.7%, highest: 31.4%).



*Chart on the left: 1928-2018: annual total return: only in years when the total return was very strong, in the top quartile (when annual total return > 24.8%).

Chart on the right: annual total return in the year after a year of strong annual total return.

Source: Bloomberg

On the economic data front, the four-week average of **US** initial jobless claims was at a level (20/12: 228.000) well below the historic average (350.900), as employment remains strong. In **Japan**, industrial production (27/12) had its worst yearly change in November (-8.1%) since February 2013. The indications of weak economic activity in the 4th quarter in Japan, following a strong 3rd quarter, have prompted the government to announce fiscal stimulus measures, which will support economic activity in 2020.

The week ahead:

US consumer confidence index (31/12) may have risen in December. The ISM manufacturing index is expected on January 3, along with the minutes of the latest Fed meeting. In **China**, PMI manufacturing and services indices for December will be released on December 31.

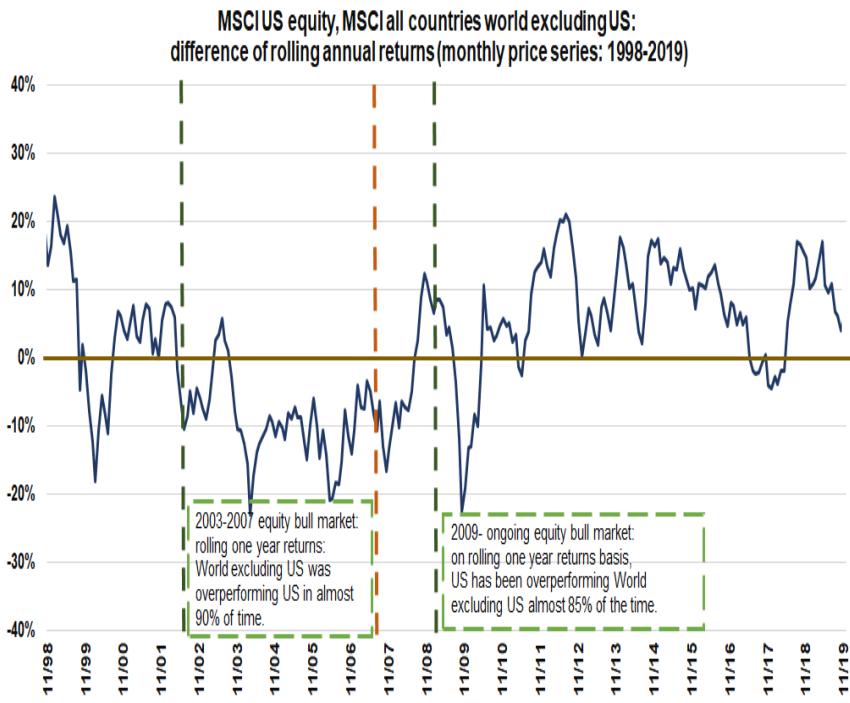
Balanced portfolios will probably continue to benefit from “search for yield” environment in the medium term. Corrective moves in risky assets may happen in early 2020, as market sentiment has been continuously risk-on since September 2019. At the start of January, the focus will be on key economic figures announcements, including the ISM manufacturing index (3/1), the ISM services index (7/1), employment figures (10/1) for December in the US and the economic sentiment index (8/1) in the Eurozone.

Quote of the Week:

The Chinese finance ministry said (23/12): “tariffs on 850 imported products will be reduced in January”.

Global Markets in Charts

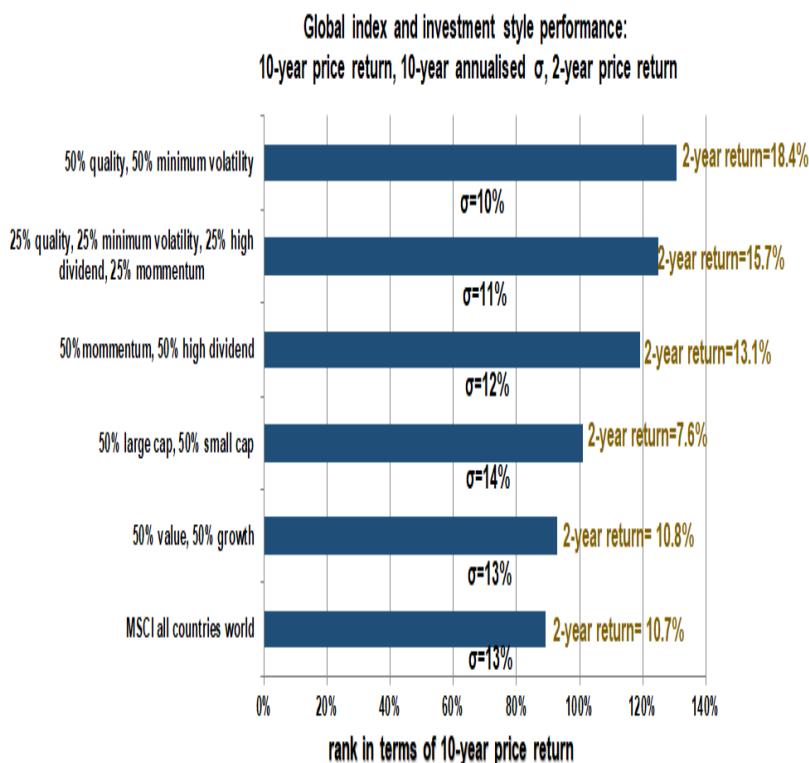
On rolling annual basis, US equity market continues to overperform World excluding US.



Looking back in the previous upwards equity market (October 2002-October 2007), the MSCI all countries world excluding the US was generally overperforming the MSCI US equity index from the start until the end of the bull market, on rolling annual return comparison.

During the ongoing equity bull market (since 2009), the MSCI US equity index has overperformed the MSCI all countries world excluding US index, in almost 85% of the cases. On rolling annual basis (monthly series), the MSCI US equity index has overperformed the MSCI all countries world excluding US, since May 2018.

Combining investment styles can potentially deliver overperformance versus the global equity index.



The combination of investment styles (style/factor investing) has quite satisfactory results (MSCI world relevant indices in USD have been used). The highest performance, both in the last two years and in the last ten years, would have been achieved by combining minimum volatility and quality (50%-50%). It is noted that the annualised standard deviation of this combination (last 10 years) has been lower (10%) versus the MSCI All countries world index (13%).

Solid performance (last 2 years, 10 years) with moderate risk would have also been achieved by an equally weighted combination (25% each) of minimum volatility, quality, high dividend and momentum.

Source: Bloomberg


 December 30, 2019

Global Markets Minesweeper
Event Risk Calendar, 30 December 2019 - 03 January 2020
Monday 30/12

Date Time	Country	Event	Period	Survey	Prior	•*
30/12 15:30	US	Advance Goods Trade Balance	Nov	-\$68.8b	-\$66.8b	•*
30/12 15:30	US	Retail Inventories (MoM)	Nov	0.10%	0.30%	
30/12 16:45	US	MNI Chicago PMI	Dec	48	46.3	
30/12 17:00	US	Pending Home Sales (MoM)	Nov	1.30%	-1.70%	
30/12 17:30	US	Dallas Fed Manf. Activity	Dec	0.0	-1.3	

Tuesday 31/12

Date Time	Country	Event	Period	Survey	Prior	•*
31/12 03:00	CH	Manufacturing PMI	Dec	50.1	50.2	•*
31/12 03:00	CH	Non-manufacturing PMI	Dec	54.2	54.4	•*
31/12 16:00	US	FHFA House Price Index (MoM)	Oct	0.40%	0.60%	
31/12 16:00	US	S&P CoreLogic CS 20-City (MoM) SA	Oct	0.30%	0.36%	
31/12 17:00	US	Conf. Board Consumer Confidence	Dec	128.2	125.5	•*

US Fixed income markets close early

Wednesday 01/01

Date Time	Country	Event	Period	Survey	Prior	•*
		Most global markets closed (New Year's Day)				

Thursday 02/01

Date Time	Country	Event	Period	Survey	Prior	•*
2/1 03:45	CH	Caixin China PMI Mfg	Dec	51.6	51.8	
2/1 10:45	IT	Markit Italy Manufacturing PMI	Dec	47.2	47.6	
2/1 10:50	FR	Markit France Manufacturing PMI	Dec F	50.3	50.3	
2/1 10:55	GE	Markit/BME Germany Manufacturing PMI	Dec F	43.4	43.4	
2/1 11:00	EC	Markit Eurozone Manufacturing PMI	Dec F	45.9	45.9	
2/1 11:30	UK	Markit UK PMI Manufacturing SA	Dec F	47.6	47.4	
2/1 15:30	US	Initial Jobless Claims	28-Dec	222k	222k	
2/1 16:45	US	Markit US Manufacturing PMI	Dec F	52.5	52.5	
		Markets closed in Japan (New Year's Day)				
Corp. Results	US	Noble Vici Group Inc				


 December 30, 2019

		Friday 03/01				
Date Time	Country	Event	Period	Survey	Prior	*
3/1 02:01	UK	BRC Shop Price Index (YoY)	Dec	-0.50%	-0.50%	
3/1 09:00	UK	Nationwide House PX (MoM)	Dec	0.00%	0.50%	
3/1 09:45	FR	CPI (YoY)	Dec P	1.3%	1.0%	
3/1 10:55	GE	Unemployment Change (000's)	Dec	3.5k	-16.0k	
3/1 11:00	EC	M3 Money Supply (YoY)	Nov	5.70%	5.60%	
3/1 15:00	GE	CPI (YoY)	Dec P	1.40%	1.10%	
3/1 17:00	US	Construction Spending (MoM)	Nov	0.30%	-0.80%	
3/1 17:00	US	ISM Manufacturing	Dec	49.0	48.1	*
3/1 17:00	US	ISM New Orders	Dec		47.2	
		Markets closed in Japan (Bank Holiday)				
Eco Event	US	Richmond Fed President Thomas Barkin speaks in Baltimore (18:05)				
	US	Chicago Fed President Charles Evans speaks in American Economic Association (20:15)				
	US	FOMC Meeting Minutes 11-Dec (21:00)				
Corp. Results	US	Ingersoll - Rand Plc				

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