VAM DISCRETIONARY FUNDS

Market Update
8 January 2019

New year, new markets?

Markets

- Global equity market performance was primarily positive across the board. In GBP terms, Europe rose the most, up +1.78%, followed by the UK (+1.62%), the US (+1.60%) and Japan (+0.23%). Emerging Markets had no change over the week.
- Bonds were mixed over the week. UK Gilts and UK Corporates were both down -0.07%, whilst European bonds fell -0.18% and US government bonds rose +0.36% respectively.
- GBP appreciated vs EUR and USD by +0.60% and +0.19% respectively. GBP depreciated -1.44% vs JPY.
- In USD terms, the oil price rose +5.80% and gold rose by +0.07%.

Macro

- The US market was bolstered by a report showing strong jobs data , with the US adding 312,000 positions in December, beating the average consensus of 180,000. The report also revised the October and November figures upward by a combined 58,000 jobs. Investors eagerly awaited this report to gauge the health of the US economy ahead of Fed Chairman Jay Powell's speech, in which he reiterated patience on rate rises. Markets responded by rallying to close out the week.
- CPI inflation in the Eurozone fell to 1.6% YoY in December, the weakest rate in eight months. The slowdown was due to the sluggish rise in energy costs. Eurostat statistics showed the slower rise in energy prices, up 5.5% YoY in December compared to 9.1% YoY in November. Given that the Eurozone is a net energy importer, a weaker oil price could boost Eurozone consumption in the coming months.
- A delegation of American officials will shortly meet their Chinese counterparts in Beijing for two days of discussions, the first face-to-face talks since the two presidents agreed a trade truce at the G20 summit last month. The success of the meeting may depend on China's willingness to make concessions around purchasing more American goods and imposing measures to prevent intellectual property theft from the US. Ahead of the 2nd March deadline, the news of a potential resolution to the trade tariffs provided some respite for investors.

View of the Manager

- Global growth remains resilient although there is evidence of the recovery being less synchronised. The Manager expects earnings growth to remain positive and inflation to cause gradual interest rate rises.
- Despite elevated geopolitical risk, the Manager believes this is an environment favouring equities over bonds.
- Within its regional equity allocation, the Manager is cautious on UK equities and favours those regions most attractively positioned to benefit from the improvement in the global growth dynamic.

Performance to 04/01/2019	1 Week	YTD
Equity GBP Total Return %		
UK	1.62	1.65
Europe	1.78	1.71
US	1.60	1.13
Japan	0.23	-0.01
Emerging Markets	0.00	0.06
Bonds Local Total Return %		
UK Gov	-0.07	0.09
UK Corp	-0.07	-0.05
EUR Gov	-0.18	-0.20
US Gov	0.36	0.21
Currency %		
GBP vs USD	0.19	-0.24
GBP vs EUR	0.60	0.38
GBP vs JPY	-1.44	-1.28
Commodities USD %		
Oil	5.80	5.62
Gold	0.07	0.07

Source: Close Brothers Asset Management

Source: Bloomberg Finance L.P., Morningstar, data as at 07/01/2019.