

VIEWPOINT

Newsflash

A new month and the 149th issue of Viewpoint from **PPI Advisory**.

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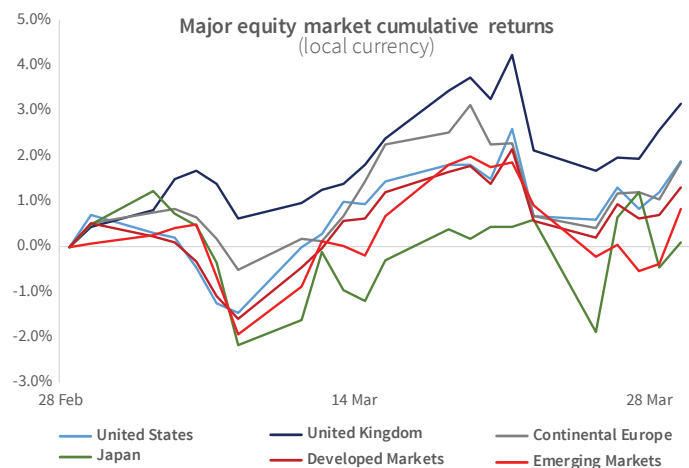
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Market Commentary

Equity markets made further progress in March, despite a return to higher levels of volatility as concerns about the slowdown in global growth intensified. Developed market equities returned 1.3% over the month, taking the Q1 2019 return to 12.5% and recovering much of the ground lost in Q4 2018. US equities advanced 1.9%, supported by encouraging signs of progress in US-China trade talks and the increasingly accommodative stance of the Federal Reserve. In US dollar terms, Japanese equities underperformed the other major regions returning 0.6% while emerging markets returned 0.8%. Despite ongoing Brexit related uncertainty, the UK was a notable outperformer, up over 3% in sterling terms, with the UK's big overseas earning companies boosted by weakness in the pound during the month.

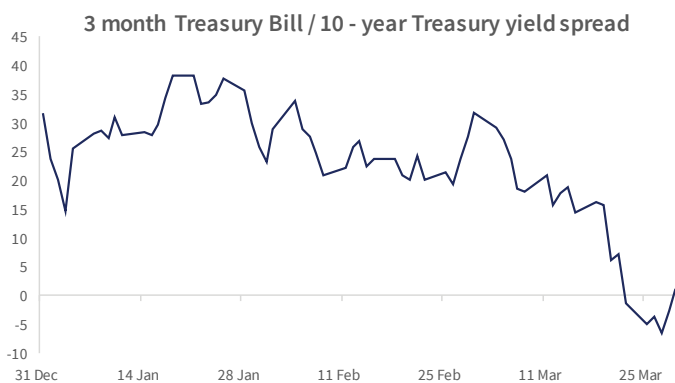
Figure 1.1: Global equity markets made further progress in March



Source: Bloomberg, Momentum GIM. Returns in local currency terms

The most significant moves in markets however took place in bonds where yields fell sharply across the maturity spectrum but especially in longer dated bonds. Yields in 10-year US Treasuries fell by 31 basis points to 2.4% in March, taking the drop in yield to 85 basis points since the peak in November 2018. Other government bonds followed, with yields on 10 year bonds in Germany and Japan back into negative territory and approaching their all-time lows reached in 2016. During March one of the closely watched lead indicators of a recession, the 3 month / 10-year Treasury yield spread, inverted, yet US recessionary fears are not reflected in credit markets, where spreads have narrowed over the past 3 months. Credit markets benefitted from the drop in interest rates, resulting in bonds outperforming equities in the month. US Treasuries returned 2.0% while investment grade bonds returned 2.5%. High Yield and emerging market bonds produced positive returns but could not match Treasuries as spreads widened slightly after the sharp tightening in the previous two months.

Figure 1.2: The 3-month Treasury Bill / 10-year Treasury Note yield curve spread turned negative during March (curve inverting)



Source: Bloomberg, Momentum GIM.

The catalyst behind the big moves in rates came from the decision made by the Federal Reserve to bring an early end to its tightening cycle. In a surprise dovish move, the Federal Reserve removed expectations for any interest rate rises this year and brought forward the end of its balance sheet run-off programme to the end of September 2019, thereby bringing to an end its quantitative tightening programme. The ECB also responded to weakness in the Eurozone economy and the stubbornness of inflation to reach its 2% target by pushing out its guidance on interest rate rises to 2020 and announcing a further round of cheap funding to banks. Economic data

in Europe, particularly in Germany, continued to soften in March. Notably, Germany's manufacturing sector contracted for the third consecutive month and helped push the yield on the 10-year Bund into negative territory. Both the Fed and the ECB revised down their growth and inflation forecasts for 2019 and 2020, in the case of the ECB by a substantial amount for this year, and both pointed to downside risks. The net effect is that interest rates across the developed world are effectively on hold for the foreseeable future and the liquidity tightening of 2018 and quite possibly for this cycle is now behind us.

The other big shift in policy in March came in China, where the authorities responded to a slowing economy with a fiscal package cutting the tax burden of both the corporate and personal sectors, with tax cuts taking effect from 1st April, as well as easier credit for small and mid-sized companies, and continuing use of monetary policy tools to stimulate growth. The official growth target for 2019 has now been set at 6-6.5%, continuing the pattern of a gradual slowing in the growth rate.

The underlying cause of these big policy shifts has been the sharp slowdown in growth globally in recent months, most significantly in China, and in Europe. The Chinese economy has been hurt by the US-China trade war and the earlier actions taken by the authorities to rein in excessive debt levels in the corporate sector. In Europe, the manufacturing engine especially of Germany has been badly hit by falling exports to China and by the structural challenges in the key auto industry resulting in the German manufacturing sector falling into recession. Other big economies in Europe, notably Italy and France, have faced the same global headwinds as well as locally induced problems leading to sharply slower growth.

Also overhanging Europe and the UK has been the increasing uncertainty resulting from the chaotic and inept handling of Brexit by the UK government, and now also by Parliament, following the PM's complete loss of control of the Brexit process in the past month. It remains unclear how this saga will finally play out but the markets most feared outcome, a no-deal Brexit, is still a possibility, as well as the even more fearful prospect of the government falling and giving way in a general election to a far left Corbyn led government. The uncertainty is holding back confidence especially in the corporate sector in the UK, where business investment has been falling.

The two big politically driven negatives for markets of the past year or more, the US-China trade wars, with far reaching global consequences, and Brexit, more narrowly impacting the UK and to a lesser extent Europe, remain a worry for investors. Although the worst outcome fears have been lifted to some degree in the past month by positive feedback from the trade war negotiations and by the reduced likelihood of a no deal Brexit. However, the critical developments in recent weeks have been the fiscal easing by China, and most importantly of all the decisive pivot of the Fed to a dovish policy, marking in effect the end of the monetary tightening

cycle. The policy backdrop to markets has therefore become supportive and the drop in interest rates across bond markets provides strong valuation support to equities. With inflation across the developed world remaining subdued this long cycle is now likely to be further extended. While the risks of a further slowdown in growth cannot be dismissed much of the growth slowdown has been priced into markets and although there will undoubtedly be bumps on the way, especially after the sharp rise in markets so far this year, we believe that further progress is likely during 2019.

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 29 March 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Developed markets equities						
United States	S&P 500 NR	USD	1.9%	13.5%	13.5%	8.8%*
United Kingdom	MSCI UK NR	GBP	3.2%	9.4%	9.4%	7.6%
Continental Europe	MSCI Europe ex UK NR	EUR	1.9%	12.4%	12.4%	4.0%
Japan	Topix TR	JPY	0.1%	7.7%*	7.7%*	-5.0%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	1.5%	11.5%	11.5%	-3.5%
Global	MSCI World NR	USD	1.3%	12.5%	12.5%	4.0%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-1.4%	7.6%	7.6%	-7.1%
Emerging Asia	MSCI EM Asia NR	USD	1.8%	11.1%	11.1%	-6.8%
Emerging Latin America	MSCI EM Latin America NR	USD	-2.5%	7.9%	7.9%	-6.7%
BRICs	MSCI BRIC NR	USD	2.5%	14.0%	14.0%	-3.4%
Global emerging markets	MSCI Emerging Markets NR	USD	0.8%	9.9%	9.9%	-7.4%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	2.0%	2.2%	2.2%	4.3%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	1.9%	3.3%	3.3%	2.7%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	2.5%	5.1%	5.1%	4.9%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	0.9%	7.3%	7.3%	5.9%
UK Gilts	JP Morgan UK Government Bond TR	GBP	3.5%	3.6%	3.6%	3.9%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	2.4%	4.2%	4.2%	3.7%*
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	1.8%	2.5%	2.5%	2.1%*
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	1.4%	3.2%	3.2%	2.3%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	1.1%	5.3%	5.3%	1.8%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	0.9%	1.7%	1.7%	2.4%
Australian Government	JP Morgan Australia GBI TR	AUD	2.2%	4.1%	4.1%	8.4%
Global Government Bonds	JP Morgan Global GBI	USD	1.4%	1.8%	1.8%	-1.0%*
Global Bonds	ICE BofAML Global Broad Market	USD	1.3%	2.2%	2.2%	-0.1%*
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	0.1%	7.8%	7.8%	1.6%*
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	1.1%	6.2%	6.2%	2.6%*

Source: Bloomberg | Past performance is not indicative of future returns. | *) denotes estimate

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 29 March 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Property						
US Property Securities	MSCI US REIT NR	USD	3.1%	15.9%	15.9%	19.2%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	6.0%	13.9%	13.9%	20.3%*
Asia Property Securities	S&P Asia Property 40 Index NR	USD	6.1%	15.3%	15.3%	8.6%
Global Property Securities	S&P Global Property USD TR	USD	3.9%	14.5%	14.5%	10.3%
Currencies						
Euro		USD	-1.3%	-2.2%	-2.2%	-9.0%
UK Pound Sterling		USD	-1.7%	2.2%	2.2%	-7.0%
Japanese Yen		USD	0.5%	-1.1%	-1.1%	-4.1%
Australian Dollar		USD	0.0%	0.7%	0.7%	-7.6%
South African Rand		USD	-2.9%	-0.9%	-0.9%	-18.3%
Commodities & Alternatives						
Commodities	RICI TR	USD	0.1%	9.4%	9.4%	-2.7%*
Agricultural Commodities	RICI Agriculture TR	USD	-1.0%	-1.8%	-1.8%	-10.2%*
Oil	Brent Crude Oil	USD	3.6%	27.1%	27.1%	-2.7%*
Gold	Gold Spot	USD	-1.6%	0.8%	0.8%	-2.5%
Hedge funds	HFRX Global Hedge Fund	USD	0.0%*	2.8%*	2.8%*	-3.1%*
Interest rates						
United States			2.50%			
United Kingdom			0.75%			
Eurozone			0.00%			
Japan			0.10%			
Australia			1.50%			
South Africa			6.75%			

Market Performance - UK (All returns in GBP)

Asset Class/Region	Index	To 29 March 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Developed markets equities						
UK - All Cap	MSCI UK NR	GBP	3.2%	9.4%	9.4%	7.6%
UK - Large Cap	MSCI UK Large Cap NR	GBP	3.9%	9.6%	9.6%	9.4%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	-0.2%	7.8%	7.8%	-2.6%
UK - Small Cap	MSCI Small Cap NR	GBP	1.5%	12.2%	12.2%	0.3%
United States	S&P500NR	USD	4.0%	11.3%	11.3%	17.4%*
Continental Europe	MSCI Europe ex UK NR	EUR	2.5%	8.1%	8.1%	2.2%
Japan	Topix TR	JPY	2.7%	5.0%*	5.0%*	-1.6%
Asia Pacific (ex Japan)	MSCIACAsia Pacificex Japan NR	USD	3.7%	9.3%	9.3%	4.2%
Global developed markets	MSCI World NR	USD	3.4%	10.3%	10.3%	12.3%
Global emerging markets	MSCI Emerging Markets NR	USD	3.0%	7.8%	7.8%	0.0%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	3.4%	3.6%	3.6%	3.9%*
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	0.5%	0.5%	0.5%	1.5%*
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	2.3%	2.3%	2.3%	4.7%*
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	5.5%	5.9%	5.9%	4.7%*
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	6.3%	6.0%	6.0%	5.6%*
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	2.8%	1.8%	1.8%	5.6%*
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	8.1%	8.1%	8.1%	5.9%*
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	2.4%	4.2%	4.2%	3.7%*
US Treasuries	JP Morgan US Government Bond TR	USD	4.2%	0.2%	0.2%	12.7%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	2.5%	5.1%	5.1%	4.9%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	0.9%	7.3%	7.3%	5.9%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	1.8%	2.5%	2.5%	2.1%*
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	1.4%	3.2%	3.2%	2.3%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	1.1%	5.3%	5.3%	1.8%
Global Government Bonds	JP Morgan Global GBI	GBP	3.5%	-0.1%	-0.1%	6.9%
Global Bonds	ICE BofAML Global Broad Market	GBP	1.3%	2.2%	2.2%	-0.1%*
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	0.1%	7.8%	7.8%	1.6%*
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	3.2%	4.1%	4.1%	10.7%*

Source: Bloomberg | Past performance is not indicative of future returns. | * denotes estimate

Market Performance - UK (All returns in GBP)

Asset Class/Region	Index	To 29 March 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Property						
Global Property Securities	S&P Global Property TR	GBP	6.1%	12.3%	12.3%	19.1%
Currencies						
Euro		GBP	0.4%	-4.3%	-4.3%	-2.1%
US Dollar		GBP	1.7%	-2.1%	-2.1%	7.5%
Japanese Yen		GBP	2.2%	-3.2%	-3.2%	3.1%
Commodities & Alternatives						
Commodities	RICI TR	GBP	2.2%	7.3%	7.3%	5.0%*
Agricultural Commodities	RICI Agriculture TR	GBP	1.1%	-3.7%	-3.7%	-3.1%*
Oil	Brent Crude Oil	GBP	5.8%	24.7%	24.7%	5.0%*
Gold	Gold Spot	GBP	0.5%	-1.1%	-1.1%	5.3%
Interest rates						
United Kingdom			0.75%			
United States			2.50%			
Eurozone			0.00%			
Japan			0.10%			

Asset Allocation Dashboard

Asset class	View
Equities	
<p>Developed equities</p>	<ul style="list-style-type: none"> » We retain our broadly neutral allocation to global equities today. The rapid rebound in risk appetite since year end has seen valuations richen, but global equities remain attractive, particularly versus sovereign and some corporate bonds. » Monetary policy and cross border politics will remain key drivers of risk appetite and global equity returns, the former being key to the recent repricing. The US-China trade war looks closer to a resolution today which will help buoy sentiment towards global risk assets. + The global macro backdrop and recent dovish Fed pivot remains favourable for global equities, though we remain cognisant of weaker data across an increasing number of regions + Equities are better placed than most asset classes to perform in a moderately pro inflationary environment - Despite the encouraging trade talks recently the trade war back drop remains unresolved and remains a key risk for global equities
<p>UK equities (relative to developed)</p>	<ul style="list-style-type: none"> » UK equities continue to look cheap today but caution is warranted given the evolving Brexit negotiations and continued political jockeying. While the larger cap market constituents are more globally focused than they are UK, and have earnings shielded in large part from FX swings, the more domestically oriented names may face bigger challenges. » The Brexit timeline has temporarily extended as cross party negotiations take place, and the uncertainty is likely to see continued volatility in Sterling and UK assets. + The UK market remains exposed to global markets and factors and as such is somewhat insulated from the headline Brexit concerns, benefiting from any associated Sterling weakness.. - Today the chief worries lie with the ongoing and protracted Brexit negotiations.
<p>European equities (relative to developed)</p>	<ul style="list-style-type: none"> » European equity valuations remain favourable when viewed against corporate and sovereign European bond markets. From a more cyclical point of view the European macro backdrop has wavered of late, with German data being notably and concerningly weak. The region faces headwinds today from low growth and ongoing political tensions. The ECB's new TLTRO program goes some way to replacing the stimulus lost when the bond purchase program ended. + European earnings still have scope to recover meaningfully from their post crisis lows. - European assets, including equities, may come under pressure due to low growth across the region as well as the ECB asset purchase program coming to an end. Although, the ECB has acknowledged these concerns and taken a more dovish stance. - Episodic risk off events, such as the volatility in the Italian bond market or social unrest in France, should be expected.
<p>US equities (relative to developed)</p>	<ul style="list-style-type: none"> » The US remains the most expensive of the major developed markets, but still offers some value today in spite of a strong start to 2019. The US economy remains in reasonably good health and arguably warrants a premium, but the tighter valuation opportunity today means we continue to score US equities less highly than ex US bourses today. » Monetary policy remains crucial to keeping markets in check and volatility under control. To date the Fed has managed this well, but recent concerns about slowing growth has led the Fed to reappraise their expectations for 2019 hikes, with rates expectations softening and lending support to risk assets. + The economy remains in good health with several leading indicators remaining positive. + Following the Fed's recent policy pivot, broader measures of financial conditions have loosened, which coupled with the current fiscal stance may help support earnings going forward. - US equity valuations remain elevated vs other regions today which may prove to be an obstacle to further index gains from current levels. Additionally, 2019 earnings growth could disappoint at the same time that margins potentially peak out.
<p>Japan equities (relative to developed)</p>	<ul style="list-style-type: none"> » Japanese equities look attractive today and we acknowledge the government's policies to improve working practices and governance. The direction of the Yen is an important driver of returns with Yen weakness supporting Japanese equities and vice versa » Japanese assets should remain well buoyed by the Bank of Japan, which is the sole major central bank still buying assets today. + Japanese equities underperformed in Q1 despite Yen weakness; that leaves some scope for equity upside in the absence of broader based market volatility. - In a protracted risk off scenario Yen strength resulting from its safe haven status would hurt Japanese equities.
<p>Emerging market equities</p>	<ul style="list-style-type: none"> » We remain in favour of EM assets more generally over DM as the longer term relative growth dynamics remain favourable, which coupled with steady inflation should support EM equity returns over time. Some caution is warranted as further bouts of volatility are inevitable. + EM currencies remain somewhat cheap and provide additional cushion to local EM equity returns through potential earnings enhancement over time. - Emerging markets remain prone to bouts of volatility and flow reversal at times of heightened perceived risk - Despite some encouraging trade talks recently the Sino-US trade war backdrop remains unresolved and remains a key risk for emerging markets as a whole

Fixed Income	
<p>Government</p> 	<ul style="list-style-type: none"> » On a medium term outlook DM government bonds remain largely unattractive today with poor real return prospects in aggregate following the recent sharp rally. After recent repricing in US rates markets that now price in a cut into 2020, we are more cautious on bonds and look for more diversification to come from cash and gold. Other sovereign markets, such as Italy, are a source of price volatility. + Quality government bonds remain one of the better diversifiers in a multi asset portfolio, even when they are optically expensive. - Net central bank bond purchases have now turned negative and may be a headwind for all rate sensitive debt, arguably more so in higher quality European bond markets as the ECB ends its bond purchase program, though we've not seen this yet to date.
<p>Index-linked (relative to government)</p> 	<ul style="list-style-type: none"> » Index linked bonds offer some selective value but, like their nominal counterparts, they are expensive, particularly so in the UK. + Index linked bonds are one of the few ways to meaningfully protect against inflation risk. - Inflationary forces remain muted today and on any sustained slowdown in global growth they would almost certainly underperform nominal bonds.
<p>Investment grade Corporate (relative to government)</p> 	<ul style="list-style-type: none"> » Investment grade bonds provide some diversification benefit in a multi asset portfolio but valuations still remain quite tight. Fundamentals remain reasonable but we would advocate owning more shorter dated credit at today's levels as rate sensitivity remains near highs, and yields low. + A reasonable alternative to owning sovereign bonds with diversifying qualities and some spread - With quantitative easing slowing the risks appear more asymmetric - Credit quality has drifted lower in recent years, and leverage has moved higher
<p>High Yield Corporate</p> 	<ul style="list-style-type: none"> » Spreads have compressed significantly since the Q4 2018 sell off to a level that is probably about fair in our opinion but are likely to remain somewhat elevated and potentially volatile. » We favour owning shorter duration credit where the risk return looks more favourable today, with an opportunity to add spread duration if credit markets re-widen again from here. + In the absence of a systemic market shock the running yield of high yield means the asset class will likely trump most of other fixed income. - The global credit cycle is at best mid cycle, at worst late cycle, so spread volatility is to be expected going forward. Defaults are likely to come in higher with recoveries potentially lower than historical levels
<p>Emerging market debt</p> 	<ul style="list-style-type: none"> » With yields ~6% the asset class remains attractive today, with spreads slightly elevated relative to history. The healthy running yield means the asset class remains a preferred credit allocation for us and we continue to prefer hard currency to local exposure at this time. + We believe EM bonds continue to offer some of the best longer term real return opportunities in bond markets today. - A resurgent Dollar would weigh on EM assets, with local bonds and FX likely bearing the brunt
<p>Convertible bonds</p> 	<ul style="list-style-type: none"> » Convertible bonds played their protective role well through the latter stages of 2018 and enjoyed a decent uplift through Q1. We continue to favour an allocation to convertibles in a multi asset portfolio for the convexity it brings. » Some caution is warranted given the concentration to the US market and technology names, although the Q4 2018 performance has shown the asset class to be quite resilient in a growth stocks led sell off. + The natural convexity provided by convertibles should continue to provide reasonable protection against any renewed equity weakness. - The call optionality embedded into convertibles only really has any value if markets move higher, and the US, the largest regional market, remains one of the more expensive regions today in aggregate - If volatility reverts again to the recent multi year lows then the optionality holds limited value.

Real Assets /Alternatives	
<p>Commodities</p> 	<ul style="list-style-type: none"> » Prices are likely to be affected by the trade tariffs being imposed by the US and their trade partners (Europe and China in particular) in retaliation. This dynamic remains in flux and is likely to cause some volatility. » Commodity prices are primarily supply and demand driven, and idiosyncratic factors can be as important as the global economic cycle. + With the US Dollar still near cyclical highs, and global growth still positive, commodities have scope to generate positive returns. Gold remains a good hedge against risk off outcomes, as witnessed during recent market weakness. + Despite a strong rebound during the first three months of the year, the commodity index remains below last year's high with scope for further retracement if conditions are right - Trade tensions may continue to weigh on the commodities sector which is particularly exposed to a slowdown in global growth, and China in particular. - Geopolitics is an important consideration as evidenced by recent oil price strength.
<p>Property (UK)</p> 	<ul style="list-style-type: none"> » Property remains an attractive asset class for investors requiring yield. » Total returns will come mostly from income with limited scope for capital growth with global REIT stocks at somewhat elevated valuations today. » When viewed against high quality, longer duration Sterling assets and inflation linked bonds, UK property outside London holds some appeal, with industrial and office space having more attractive fundamentals than the under pressure retail sector. + Premium yields should continue to attract capital and provide some floor to prices, as will any sustained Sterling weakness + The longer duration qualities of the asset class make it a good diversifier within multi asset portfolios - As a long duration asset class property remains susceptible to any repricing in long term bond yields - UK property remains sensitive to eventual Brexit terms, which continue to evolve.
<p>Infrastructure</p> 	<ul style="list-style-type: none"> » Infrastructure stocks trade at reasonable valuations today and performance has been strong at the index level through both the market weakness in latter 2018 and the reversal in 2019 so far. » Their income generating potential should continue to support the sector and attract buyers of quality infrastructure assets. + In a multi asset portfolio the relatively defensive nature of the asset class and a degree of inflation protection make the asset class appealing. + The asset class offers a healthy yield at a reasonable valuation today - both equity and debt flavours. - As a long duration asset class infrastructure remains susceptible to any repricing in long term bond yields. - Regulation can work both for and against the underlying investments, and a spate of recent events has hit a handful of stocks hard.
<p>Liquid Alternatives</p> 	<ul style="list-style-type: none"> » We define this section as less/non-directional, absolute return type strategies that seek to capture long term risk premia or market mispricings, and includes hedge fund alternatives/systematic strategies in predominantly UCITS vehicles. » We favour an allocation to a basket of liquid strategies today to provide additional diversification as high quality bonds on the whole remain expensive. + These strategies provide additional diversification with reasonable return potential. - The sector is relatively young and growing. It remains somewhat untested through a protracted risk off period so thorough due diligence is vital, and blend is recommended.
Currencies	
<p>GBP</p> 	<ul style="list-style-type: none"> » Brexit uncertainty remains high and will remain so until some kind of resolution is reached. We retain a neutral view until we have a clearer expectation on how the political situation evolves. With Sterling looking fairly beaten up there is probably more upside than downside risk today, but it is a somewhat binary bet. The currency has oscillated to the downside in recent weeks » In real terms the currency remains at the lower end of valuations and has room to appreciate over the medium to long term, but politics and rate policy remain a source of volatility and are likely to dominate its nearer term path.
<p>Euro</p> 	<ul style="list-style-type: none"> » The Euro has trended slowly weaker in recent months as data has softened. Whilst any change in explicit rate policy has now been pushed towards the early stages of 2020, the ECB's new TLTRO adds some further stimulative measure following the end of the bond purchase programme. » In real terms the common currency looks about fair value today but with short positioning building there is no obvious and imminent catalyst for an uplift, and on balance the local fundamental backdrop appears to be deteriorating which makes the currency less attractive today.
<p>Yen</p> 	<ul style="list-style-type: none"> » Rate differentials continue to offer little reason to buy the Yen. However, in real terms the Yen remains cheap today. » What sets the Yen apart from Sterling and the Euro is the currency's diversifying qualities at times of risk, as evidenced by the strong rally during the equity market sell-off in late 2018 followed by weakness early in the new year as risk appetite returned. We retain a neutral rating but there is scope for another leg up if global risk appetite falls from favour again.

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Momentum Global Investment Management (Company Registration No. 3733094) has its registered office at The Rex Building, 62 Queen Street, London EC4R 1EB.

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