



2019 Q4

# Prime Wealth Quarterly Market Outlook



Investors have scarcely been able to turn on their television sets or look at their phones in recent weeks without being presented with some pressing issue which seems to merit their attention. A flood of headlines have appeared seemingly all at once: the protests in Hong Kong; the air strikes on a major Saudi oil facility; and the first incipient moves to impeach President Trump. All that and more on top, of course, of the two issues which never seem to get resolved: the US-China trade war and the unending Brexit saga.

# UK

It seems virtually pointless to bring Brexit up at all: whatever we write will almost certainly be out of date by the time you have finished reading it! Following months of court cases, prorogations, expulsions, defections and more, the endgame ultimately remains little clearer. Prime Minister Boris Johnson continues to insist that the UK will leave the EU, deal or no, on 31 October. However, the PM's parliamentary opponents last month passed a law which will compel Mr Johnson to request a delay to departure if no deal is reached by next week. Whether the government is bluffing, or whether it does indeed have a cunning plan up its sleeve to subvert the anti-no deal law, is still an unknown.

On the economic front, there is little doubt that some of the air seems to have been let out of the UK's tyres in recent months. The Office for National Statistics recently confirmed that the economy contracted by 0.1% in the three months to the end of August, while closely-watched surveys of the construction, manufacturing and services sectors have each taken turns for the worse of late.

However, it is important to keep in mind those factors which continue to count in the favour of UK assets. These include low interest rates, well-contained inflation and employment levels at or close to all-time highs. Furthermore, the political quagmire has put some investors off UK assets which mean that valuations in some sectors of the market currently appear very attractive indeed.

Meanwhile, our soon-to-be former (?) partners across the Channel continue to try and tackle consistently sluggish rates of expansion.

# EUROPE

Inflation and growth figures have continued to struggle to reach take-off – and stay there – across much of the single currency area. The recent downturn in global manufacturing has hit Germany particularly hard, being as it is one of the world's biggest exporters. Finally, Europe has political uncertainties of its own to contend with: the Italian governing coalition recently fell apart, while next month Spain faces its fourth general election in four years.

The parsimonious Germans continue to refuse to turn on the spending taps to give the Eurozone economy a boost, so the task has fallen instead – yet again – to the European Central Bank. The outgoing President, Mario Draghi, last month announced a resumption of the Bank's 'money printing' programme to the tune of €20bn per month, for a potentially unlimited period. Interest rates were also taken further into negative territory.

Whether or not such moves (which arguably represent 'more of the same') work in stimulating the Eurozone economy remains to be seen. However, there can be little doubt that past instances of such monetary easing have often had very positive effects on asset prices.

## US

The resilient US stock market has continued to provide investors with cheer after further robust performance in recent months. The Federal Reserve, America's equivalent of the Bank of England, has acted twice in recent months to reduce interest rates, which often benefits listed assets as cash becomes a less attractive option by comparison. However, there has been some disappointment that the 'Fed' has not yet committed to enacting further cuts – rates in the US remain considerably higher than they do in most other developed markets.

Still, the US economy remains in almost a rude state of health: unemployment last month declined to its lowest level in fifty years. Further, house purchases and surveys of consumer confidence remain robust.

Another arena in which the atmosphere in the US could sometimes be fairly described as 'rude' is the political. A number of Democratic politicians are currently slugging it out for the right to take on President Trump next November, which has caused volatility to rise in sectors often considered to be 'political footballs', such as healthcare. This kind of turbulence may well be with us until after the election passes next year.

Democrats also launched a formal impeachment inquiry into the President last month, triggered by his questionable interactions with the new government in Ukraine. Whether this turns out to be a storm in a teacup or the first rumblings of something much more consequential remains to be seen. Market reaction if the latter could go one of two ways – investors dislike uncertainty and Trump's tariffs, but have been fans of his tax-cutting and regulation-slashing.

# ASIA

Asia and the emerging markets have been a hotbed of activity in recent weeks too. As so often this year, the trade situation continued to dominate both news flow and sentiment toward the region. The US and China each announced and introduced a variety of new tariffs and tariff increases on the other's imports, to the consternation of global investors.

There has been improved mood music around the situation this week, with both sides reporting constructive meetings to try and resolve the issue – yet similar such positive noises have been heard before in this story, to ultimately no avail.

Japan has also found itself at the centre of the trade storm lately. The country has been locked in a bitter economic and diplomatic struggle with South Korea which has started to play itself out in a variety of mutual restrictions on imports between the two. More positively, Japan was able to announce the striking of an interim deal on trade with the US.

Unsurprisingly, returns from Hong Kong have been the weakest of those from any developed Asian market in recent weeks, as heated protests in the territory continue to deepen. Investors have also been perturbed by a sharp economic decline in Argentina, as well as broadly weak oil prices which have hit the markets of exporters such as Colombia and Saudi Arabia.

Despite such short-term concerns, it is of course important to recognise that the key long-term driver of growth in many of these ambitious regions remains in place: growing populations of educated people getting steadily wealthier. Such a dynamic could lead to improved long-term demand for consumer products, technology and healthcare.

**The overall picture is by no means entirely rosy, yet on a big-picture level conditions remain fair. The global economy continues to grow, albeit not rapidly, while interest rates remain low and employment high. A well-diversified investment portfolio continues to have the capacity to perform well in such conditions.**

Prime Wealth Planning Limited is an appointed representative of Best Practice IFA Group Ltd, which is authorised and regulated by the Financial Conduct Authority. Registered Office: 5 Argosy Court, Scimitar Way, Whitley Business Park, Coventry, CV3 4GA. Registered in England and Wales No. 8003140. A list of Directors is available at the Registered Office. The information contained within this site is subject to the UK regulatory regime and is therefore targeted primarily at consumers based in the UK. Prime Wealth Planning Limited is entered on the FCA register (<https://register.fca.org.uk/>) under reference 586270. The Financial Ombudsman Service is available to sort out individual complaints that clients and financial services businesses aren't able to resolve themselves. To contact the Financial Ombudsman Service, please visit [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk).

