



VIEWPOINT

Newsflash

A new month and the 158th issue of Viewpoint from **Financial Partners**.

This document will be made available on our website www.f-p.hk

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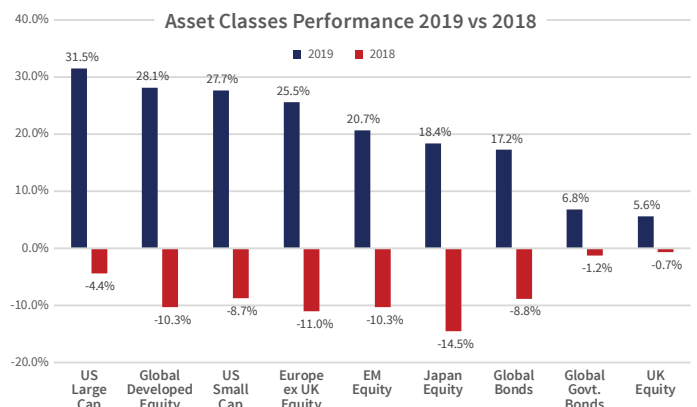
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Market Commentary

As the year began, so it ended, with yet another strong month for risk assets in December, capping one of the best years for markets since the financial crisis. Equities again led the charge, but leadership for once slipped from the US to emerging markets, which returned 7.5% in the month, well ahead of the US and MSCI World with 3.0% returns. This resulted in full year returns for the US of 30.7%, MSCI World 27.7% and MSCI Emerging Markets 18.4%. The ‘risk on’ environment led to safe haven government bonds weakening while high yield and emerging market bonds produced gains of 2.0-3.0%, with annual gains of 14.3% (US high yield) and 12.6% respectively.

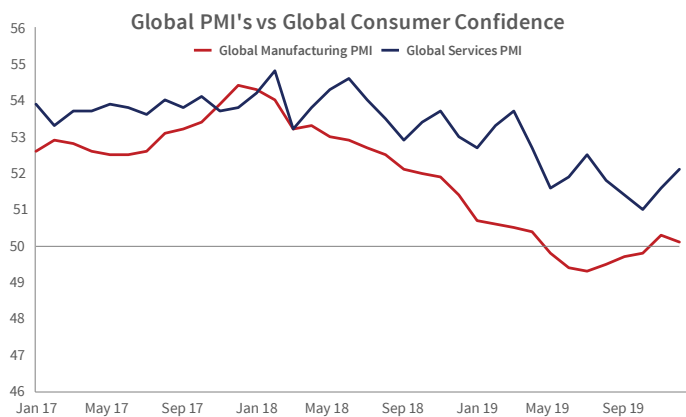


Source: Momentum, Bloomberg

One of the big drivers of returns in December was sharp weakness in the USD, down 2.0% on a trade weighted basis, with emerging market currencies the biggest beneficiaries, rising by 4.0-5.0% in many cases, more among previously very weak Latin American currencies. This helped LatAm equity markets to a 10.3% rise in the month in USD terms. Commodity dependent currencies were also boosted significantly as oil, up 5.7%, and industrial metal prices moved higher, as well as gold, up 3.6%.

Catalysts for these moves included the Fed keeping a dovish bias as it set a course of maintained policy through 2020; confirmation of a breakthrough finally in the US-China trade talks, with a phase one deal agreed and due for signing in mid January; a sharp reduction of risk in the UK following the landslide election victory for Boris Johnson and the Tories, putting an end to the Brexit debate (the UK will be out of the EU by the end of January 2020) and to the risk of a hard left government which would have been immensely damaging for UK assets; and finally to early signs of a bottoming out of the slump in global manufacturing activity.

While it is too early to say that the global economy is at the end of its growth pause, triggered by sharp weakness in trade and manufacturing, lead indicators in the past couple of months in China and across much of the developed world have showed stability or some mild pick-up in manufacturing after a long and steep slump, while the all important consumer and service sectors continued to show resilience. Confidence has grown that recession will be avoided and 2020 growth forecasts have become somewhat more optimistic.



Source: Momentum, Bloomberg, as of 08/01/2019

Improved confidence in growth prospects and reduced risks emanating from US-China trade wars and Brexit contributed to strength in commodity markets, and oil was also boosted by the extension of the OPEC-Russia agreement to restrain production with further cuts agreed to support prices.

Some of the big risks overhanging global markets have diminished and central banks almost without exception are pursuing ultra loose monetary policy for the foreseeable future. Markets and investors have therefore moved into the new year in a buoyant frame of mind. However that enthusiasm has pushed bond and equity markets to significantly higher valuations, exacerbated in the case of equities by the absence of growth in corporate earnings in 2019. Furthermore, risks have diminished but not disappeared, as the early days of 2020 have illustrated with a dramatic escalation in the US-Iran dispute. While this latest turn of events in itself is unlikely to derail the global economy or markets it acts as a timely reminder of the unpredictability of President Trump and the fragility of the Middle East region, each of which has the potential to unnerve investors during the course of 2020, a year when Trump will be running for re-election and keen to consolidate his popularity with his core supporters.

Balancing the risks against the broadly favourable economic and monetary backdrop, we remain constructive about markets, and expect further progress in the year ahead. However, materially higher valuations of equity and bond markets after the sharp rises in 2019 give rise to shorter term caution. After a particularly benign year and low volatility in nearly all markets we expect there will be inevitable setbacks and periods of volatility. We are therefore somewhat more cautiously positioned in our portfolios but we continue to believe that this extraordinary market cycle has further to run and would use any such periods of volatility as an opportunity to add to risk assets

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 31 December 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Developed markets equities						
United States	S&P 500 NR	USD	3.0%	8.9%	30.7%	30.7%
United Kingdom	MSCI UK NR	GBP	2.7%	2.3%	16.4%	16.4%
Continental Europe	MSCI Europe ex UK NR	EUR	1.6%	5.3%	27.1%	27.1%
Japan	Topix TR	JPY	1.4%*	8.6%*	18.1%*	18.1%*
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	5.8%	10.5%	19.2%	19.2%
Global	MSCI World NR	USD	3.0%	8.6%	27.7%	27.7%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	6.6%	13.0%	32.3%	32.3%
Emerging Asia	MSCI EM Asia NR	USD	7.1%	12.5%	19.2%	19.2%
Emerging Latin America	MSCI EM Latin America NR	USD	10.3%	10.5%	17.5%	17.5%
BRICs	MSCI BRIC NR	USD	7.7%	13.1%	22.8%	22.8%
Global emerging markets	MSCI Emerging Markets NR	USD	7.5%	11.8%	18.4%	18.4%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	-0.6%	-0.9%	7.1%	7.1%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	0.3%	0.7%	8.8%	8.8%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	0.3%	1.2%	14.5%	14.5%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	2.0%	2.6%	14.3%	14.3%
UK Gilts	JP Morgan UK Government Bond TR	GBP	-1.5%	-4.3%	7.3%	7.3%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	-0.1%	-0.7%	9.5%	9.5%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-0.9%	-2.9%	6.8%	6.8%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	-0.1%	-0.5%	6.2%	6.2%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	1.1%	1.8%	11.3%	11.3%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	-0.3%	-1.2%	2.1%	2.1%
Australian Government	JP Morgan Australia GBI TR	AUD	-2.3%	-2.1%	8.1%	8.1%
Global Government Bonds	JP Morgan Global GBI	USD	0.2%	-0.5%	6.0%	6.0%
Global Bonds	ICE BofAML Global Broad Market	USD	0.4%	0.2%	6.9%	6.9%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	2.5%	6.1%	17.1%	17.1%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	2.5%	3.4%	12.6%	12.6%

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

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 31 December 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Property						
US Property Securities	MSCI US REIT NR	USD	-0.8%	-1.1%	24.3%	24.3%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	-6.0%	-2.6%	14.0%	14.0%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	5.0%	6.1%	14.6%	14.6%
Global Property Securities	S&P Global Property USD TR	USD	1.7%	3.4%	23.0%	23.0%
Currencies						
Euro		USD	1.8%	2.9%	-2.2%	-2.2%
UK Pound Sterling		USD	2.5%	7.8%	3.9%	3.9%
Japanese Yen		USD	0.8%	-0.5%	0.9%	0.9%
Australian Dollar		USD	3.7%	4.0%	-0.5%	-0.5%
South African Rand		USD	4.6%	8.0%	2.6%	2.6%
Commodities & Alternatives						
Commodities	RICI TR	USD	5.5%	6.7%	11.9%	11.9%
Agricultural Commodities	RICI Agriculture TR	USD	4.1%	6.5%	0.1%	0.1%
Oil	Brent Crude Oil	USD	5.7%	8.6%	22.7%	22.7%
Gold	Gold Spot	USD	3.6%	3.0%	18.3%	18.3%
Hedge funds	HFRX Global Hedge Fund	USD	1.3%*	2.6%*	8.7%*	8.7%*
Interest rates						
United States			1.75%			
United Kingdom			0.75%			
Eurozone			0.00%			
Japan			0.10%			
Australia			0.75%			
South Africa			6.50%			

Market Performance - UK (All returns in GBP)



Asset Class/Region	Index	To 31 December 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Developed markets equities						
UK - All Cap	MSCI UK NR	GBP	2.7%	2.3%	16.4%	16.4%
UK - Large Cap	MSCI UK Large Cap NR	GBP	2.4%	1.1%	14.3%	14.3%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	3.7%	5.9%	19.6%	19.6%
UK - Small Cap	MSCI Small Cap NR	GBP	5.5%	11.1%	30.0%	30.0%
United States	S&P500NR	USD	0.4%	0.9%	25.6%	25.6%
Continental Europe	MSCI Europe ex UK NR	EUR	1.0%	0.5%	19.8%	19.8%
Japan	Topix TR	JPY	0.5%*	1.0%*	15.9%*	15.9%*
Asia Pacific (ex Japan)	MSCIACAsia Pacificex Japan NR	USD	3.1%	2.4%	14.5%	14.5%
Global developed markets	MSCI World NR	USD	0.4%	0.6%	22.7%	22.7%
Global emerging markets	MSCI Emerging Markets NR	USD	4.8%	3.6%	13.8%	13.8%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	-1.4%	-4.2%	7.3%	7.3%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	0.0%	-0.4%	1.1%	1.1%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	-0.9%	-2.6%	4.5%	4.5%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	-2.3%	-6.6%	12.0%	12.0%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	-1.8%	-8.8%	6.5%	6.5%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	-1.1%	-6.0%	3.2%	3.2%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	-2.2%	-10.5%	8.2%	8.2%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	-0.1%	-0.7%	9.5%	9.5%
US Treasuries	JP Morgan US Government Bond TR	USD	-3.1%	-8.2%	3.0%	3.0%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	0.3%	1.2%	14.5%	14.5%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	2.0%	2.6%	14.3%	14.3%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-0.9%	-2.9%	6.8%	6.8%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	-0.1%	-0.5%	6.2%	6.2%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	1.1%	1.8%	11.3%	11.3%
Global Government Bonds	JP Morgan Global GBI	GBP	-2.3%	-7.8%	1.9%	1.9%
Global Bonds	ICE BofAML Global Broad Market	GBP	0.4%	0.2%	6.9%	6.9%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	2.5%	6.1%	17.1%	17.1%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	0.0%	-4.2%	8.2%	8.2%

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

Market Performance - UK (All returns in GBP)

Asset Class/Region	Index	To 31 December 2019				
		Currency	1 Month	3 Months	Year to date	12 Months
Property						
Global Property Securities	S&P Global Property TR	GBP	-0.8%	-4.2%	18.2%	18.2%
Currencies						
Euro		GBP	-0.7%	-4.6%	-5.9%	-5.9%
US Dollar		GBP	-2.5%	-7.3%	-3.8%	-3.8%
Japanese Yen		GBP	-1.7%	-7.8%	-3.0%	-3.0%
Commodities & Alternatives						
Commodities	RICI TR	GBP	2.9%	-1.1%	7.5%	7.5%
Agricultural Commodities	RICI Agriculture TR	GBP	1.5%	-1.3%	-3.8%	-3.8%
Oil	Brent Crude Oil	GBP	3.1%	0.6%	17.9%	17.9%
Gold	Gold Spot	GBP	1.1%	-4.5%	13.7%	13.7%
Interest rates						
United Kingdom			0.75%			
United States			1.75%			
Eurozone			0.00%			
Japan			0.10%			

Asset Allocation Dashboard

Asset class	View
Equities	
Developed equities 	<ul style="list-style-type: none"> » We retain our broadly neutral allocation to global equities today. Markets gained meaningfully in 2019, notwithstanding some regional variation, but valuations are not outlandish today and global equities remain attractive in our view, particularly versus expensive sovereign and corporate bonds. » Monetary policy and cross border politics will remain key drivers of risk appetite and global equity returns, and we see little evidence of a need for tighter policy in the near term which would threaten future equity returns. The ongoing US-China trade war remains a pivotal factor in risk pricing today, but as we enter the US election year President Trump should be keen to bed down his trade policy. + Today's mostly dovish policy stance remains favourable for global equities, though we remain cognisant of weaker data across a number of regions - The trade war back drop remains unresolved and remains a key risk for global equities; geopolitical risk currently about beyond pure trade wars - Earnings have increasingly come under pressure and the absence of EPS growth will be a headwind to further equity upside when valuation multiples already look somewhat full
UK equities (relative to developed) 	<ul style="list-style-type: none"> » The strong election result in December saw UK equities move higher. There remains a lot of work to negotiate eventual trade terms but the threat of prolonged inaction and the Corbyn government has been removed which we believe should provide a tailwind for UK assets as the year progresses. While the UK market's larger cap constituents are more globally focused than they are UK, and have earnings shielded in large part from FX swings, the more domestically oriented names stand to benefit if this plays out » We expect the valuation discount to continue to narrow as the government makes headway on implementing Brexit. + The UK market now has the catalyst required for an uplift in valuation; The market is still positioned near record short levels, and valuations are still discounted. Combined that should lend support to UK risk assets. - Although the majority Tory government can set about 'getting Brexit done', the path to eventual trade terms may be rocky, and the government may face renewed constitutional issues (SNP) - The UK high street continues to face major challenges.
European equities (relative to developed) 	<ul style="list-style-type: none"> » European equity valuations remain favourable when viewed against corporate and sovereign European bond markets. The ECB has renewed its bond purchase program but inflationary pressures have all but evaporated and it is difficult to identify a catalyst for meaningful earnings growth. Fiscal stimulus looks likely to follow. + Renewed ECB asset purchases or policy stimulus will likely provide support to risk assets in the region. - Manufacturing, a mainstay of the German economy in particular, remains under pressure from shifting consumer and industrial trends. This poses headwinds for the broader German economy and the health of the region as a whole.
US equities (relative to developed) 	<ul style="list-style-type: none"> » The US remains the most expensive of the major developed markets, but the narrow market that has led indexes higher also offers selective value for the stockpicker. The US economy remains in reasonably good health and arguably warrants a premium, but the tighter valuation opportunity today, even more pronounced after 2019's stellar performance, means we rate US equities less highly than ex US bourses today. » Monetary policy remains crucial to keeping markets in check and volatility under control. + The economy remains in reasonably good health with several leading indicators remaining positive, albeit weakening + Following the Fed's policy pivot in 2019, broader measures of financial conditions have loosened, which coupled with the current fiscal stance may help support earnings going forward + 2020 is an election year which historically has tended to be good for US equity investors. - US equity valuations remain elevated vs other regions today which may prove to be an obstacle to further index gains from current levels. Additionally, 2020 earnings growth could disappoint versus what is currently priced in to markets - Trade war policy and geopolitics remains firmly on the agenda in this election year and could prove to be a destabilising force.
Japanese equities (relative to developed) 	<ul style="list-style-type: none"> » Japanese equities continue to trade at an attractive valuation today. The direction of the Yen is an important driver of returns with Yen weakness supporting Japanese equities and vice versa, and recent weakness through the second half of 2019 helped Japanese equities make up some lost ground. » Japanese assets should remain well buoyed by the Bank of Japan which continues to run an asset purchase program. + Japanese equities' relative underperformance leaves scope for further equity upside in the absence of broader based market volatility + Cash rich Japanese corporates are increasingly returning more cash to shareholders through dividends, which look attractive vs domestic bond yields. - In a protracted risk off scenario Yen strength resulting from its safe haven status would hurt Japanese equities - There is a notable absence of catalyst for any rerating
Emerging market equities 	<ul style="list-style-type: none"> » On a longer term view we remain in favour of EM assets more generally over DM as the relative growth dynamics look favourable and reasonable valuations should support EM equity returns over time. » Some caution is still warranted today given the weaker macro backdrop and 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 - The Sino-US trade war backdrop remains unresolved (notwithstanding the recent Phase One deal agreement) and remains a key risk for emerging markets as a whole.

Past performance is not indicative of future returns.

Fixed Income	
Government 	<ul style="list-style-type: none"> » DM government bonds remain largely unattractive today with poor real return prospects in aggregate following another year of strong performance. We remain cautious on bonds and look for more diversification to come from cash, gold and real assets. Other sovereign markets, such as Italy and EM, offer some value but are also 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. For that reason we advocate having some exposure, or owning higher quality investment grade in lieu of pure sovereign. - The reducing quantum of central bank bond purchases may be a headwind for all rate sensitive debt when the current buying frenzy ends (if indeed it does).
Index-linked (relative to government) 	<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. With inflation risk so poorly priced today however, we rate them slightly higher than nominals in aggregate. + 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.
Investment grade Corporate (relative to government) 	<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. - In the absence of central bank bond purchases the risks appear more asymmetric today - Credit quality has drifted lower in recent years, and leverage has moved higher
High Yield Corporate 	<ul style="list-style-type: none"> » Spreads tightened meaningfully through the final quarter of 2019 in what is already an extended credit cycle. Further price upside is likely to be limited, but carry remains decent » We favour owning shorter duration credit where the risk return looks more favourable today, with an opportunity to add spread duration if credit markets widen more meaningfully from here. + In the absence of a systemic market shock, and with the current dovish tone driving markets, high yield should continue to carry a decent return. - 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
Emerging market debt 	<ul style="list-style-type: none"> » The asset class remains attractive today with spreads continuing to offer some reasonable value 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. - Renewed Dollar strength may weigh on EM assets, with local bonds and FX likely bearing the brunt Idiosyncratic events will continue to occur, such as those witnessed in Argentina last year, so expect some periodic bouts of volatility
Convertible bonds 	<ul style="list-style-type: none"> » We continue to favour an allocation to convertibles in a multi asset portfolio for the convexity the asset class brings. Some caution is warranted given the concentration to the US market and technology names, although more recently the asset class has shown itself 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, as US markets again trade near record highs. - 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	
Commodities 	<ul style="list-style-type: none"> » The prices of some commodities continues be buffeted by the ongoing trade wars, and tensions in the gulf have impacted oil prices more recently. These geopolitical risks seem likely to persist in the near term » 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, and deflationary sentiment, as witnessed this year. - Trade tensions may continue to weigh on the commodities sector which is particularly exposed to a slowdown in global growth, and China in particular - Gold is sensitive to real rates and susceptible to pricing lower on any meaningful move higher in rates, were that to occur.
Property (UK) 	<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, property holds appeal, with selective industrial and office space having more attractive fundamentals than under pressure high street retail. + Premium yields should continue to attract capital and provide some floor to prices, as will any renewed Sterling weakness (for UK property) + 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 will continue to evolve post election; the retail sector also remains under pressure.
Infrastructure 	<ul style="list-style-type: none"> » Infrastructure stocks trade at reasonable valuations today despite strong 2019 returns » Their income generating potential should continue to support the sector and attract buyers of quality infrastructure assets, at a time when the need for infrastructure capital and investment continues to grow. + 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 underlying infrastructure stocks remain exposed to these risks.
Liquid Alternatives 	<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 with high quality bonds remaining very expensive. + These strategies provide additional diversification with reasonable return potential. - The sector is relatively young and growing. Thorough due diligence is vital, and blend is recommended, as idiosyncratic performance can be unpredictable.
Currencies*	
GBP 	<ul style="list-style-type: none"> » We maintain our more neutral rating on Sterling today after the strong election result in December. Despite some softening in the weeks since, as negotiations continue we would look for the funnel of Brexit uncertainty to narrow, which should ultimately lend some support to the still cheap currency.
Euro 	<ul style="list-style-type: none"> » The Euro found a floor in the final quarter of 2019 but any kind of forward tightening is off the cards today and for the foreseeable future as growth remains challenged, particularly in Germany. » In real terms the common currency looks about fair value today but there is no obvious and imminent catalyst for an uplift, and on balance the local fundamental backdrop appears weak which makes the currency largely unattractive today.
Yen 	<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. The neutral rating reflects this attribute which the Euro lacks.

Past performance is not indicative of future returns. *Currencies views are expressed versus the US Dollar

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