FINANCIAL PARTNERS

Weekly Digest

11 November 2019

The financial (in) security of our veterans

– *David Lashbrook, CFA*

I was very proud to take part in the Remembrance Sunday proceedings in London yesterday alongside my father, a veteran himself. Nobody does these things better than the British and it was indeed a grand occasion which was made even better by the crisp sunny autumn morning. Dad was in his element, meeting up with old friends with whom he had served forty years ago. I was lucky to meet several of them at the regimental lunch which followed. Whilst I marvelled at their stories from days of old, I left the function a bit saddened by the fact that some of these brave men, now in the later years of their life, were not financially secure. Once again, the importance of investing for the long term rang loud and clear.

After much planning and amidst great excitement, we rose early yesterday morning and breakfasted. Shoes were polished until they gleamed, commemorative ties donned and poppies pinned to our coats. Most importantly, medals were worn. Being a slacker, I never served myself. However, as is customary, I got to wear a replica of Dad's medals on my right hand breast. Dad wore his medals on his left with Grandad's medals on his right. Finally, Dad proudly donned his beret and off we marched to the station. Nodding glances and friendly smiles were exchanged with fellow veterans and their families on the trains, and as medal wearers, we were treated royally – free train, tube and cabs all day. Very special.

We started with a dedicated service for Dad's and some fellow regiments in the grounds of Westminster Abbey. It was a beautiful, yet moving occasion: the regimental flag bearers, now in their seventies, proudly stood to attention throughout, whilst the flags flapped respectfully in the chilling breeze.

At the lunch which followed, Dad introduced me to the men he had served with, several being highly decorated. Stories were regaled, often amongst much hilarity. There was Big Steve who towered over me with hands like meat slabs and yet the warmest engaging smile. Dad said he was one of the best officers he ever served with and recalled the story when Big Steve led them on an overnight march through dense bush over broken ground, using only the stars as guidance. There was near mutiny as half the patrol doubted Big Steve's navigation, yet they walked directly on to their objective in the early grey of the following dawn.

As the afternoon wore on, stories of heroics morphed into conversations about current life and families. I was struck by the fact that several of these proud men, who had achieved feats of bravery I couldn't even begin to comprehend, were now struggling to make ends meet. The majority were still in some form of employment be it driving buses, operating tills or packing shelves in their local supermarkets. It was saddening.

I recently heard that you should plan to have 13x your final salary in savings when you retire: an astronomical amount! The best time to start saving and investing was twenty years ago and this lesson was driven home very firmly yesterday by those very brave men.

The Marketplace

- Indications that the global economy may avoid a recession
- Developed-market bond yields rose sharply, and the US Treasury curve steepened further
- Brent crude rose 1.3% to $62.5 a barrel
- Gold fell -3.1% to $1461.8 an ounce

Market Focus

US

- The US Commerce Secretary announced that the US has been having positive conversations with auto manufacturers in the EU, Japan and Korea.
- The services PMI was revised down to 50.6, its lowest reading since February 2016. Underneath the headline level, the employment component fell to 47.5, the lowest since December 2009.
- There was renewed optimism on the US-China trade front with progress towards a 'phase-one' trade agreement, after Chinese officials announced that some of the existing tariffs maybe rolled back.
- This optimism helped support the Dow Jones and S&P 500 to reach new record highs over the week.

Europe

- European equities gained along with their US counterparts, with the broad continental Europe benchmark rising 1.7%.
- Around half of the European companies that have reported their quarterly earnings have exceeded consensus estimates, with healthcare and basic materials leading the way.
- The International Monetary Fund (IMF) reported that the Eurozone is likely to grow less than expected in 2019, with a revised growth rate of 1.2% for the year, 10 basis points down from its prediction in April.

UK

- The Bank of England decided to keep interest rates at 0.75% on Thursday.
- Chancellor Sajid Javid announced that following a Conservative re-election the current fiscal framework would be revised to allow for higher borrowing.
- UK equities gained 1.0% over the week, outperforming global equities.
- UK gilts delivered negative returns over the week at -1.7%, with their investment grade counterparts falling by 0.7%.

Asia/Rest of The World

- The stock of globally negative yielding debt dropped to under $12 trillion in the week, significantly lower than the $17 trillion seen in August.
- The Chinese Caixin services PMI was in-line with consensus at 51.1, falling 20 basis points from the prior month and placing the composite figure at 52.0.
- A significant increase was observed in Japanese household consumption, rising 9.5% in September (the largest monthly gain since 2001) ahead of the hike in the general sales tax of 2%.

Past performance is not indicative of future returns.

Source: Bloomberg. Returns in local currency unless otherwise stated.

Asset Class/Region	Currency	Currency returns			
		Week ending 8 Nov. 2019	Month to date	YTD 2019	12 months
Developed Market Equities					
United States	USD	0.9%	1.9%	24.9%	11.8%
United Kingdom	GBP	1.0%	1.7%	13.3%	7.2%
Continental Europe	EUR	1.7%	2.4%	24.8%	15.4%
Japan	JPY	2.2%	2.1%	16.7%	3.9%
Asia Pacific (ex Japan)	USD	1.8%	2.4%	14.8%	11.7%
Australia	AUD	0.8%	0.9%	23.3%	18.2%
Global	USD	0.8%	1.6%	22.6%	11.1%
Emerging markets equities					
Emerging Europe	USD	0.8%	2.3%	27.8%	22.0%
Emerging Asia	USD	2.2%	2.8%	13.8%	11.1%
Emerging Latin America	USD	-2.8%	-1.3%	9.7%	7.1%
BRICs	USD	1.2%	2.1%	16.2%	13.6%
MENA countries	USD	0.6%	0.6%	1.9%	1.5%
South Africa	USD	2.8%	3.1%	3.5%	0.8%
India	USD	-0.9%	-0.1%	8.5%	15.5%
Global emerging markets	USD	1.5%	2.2%	12.8%	10.0%
Bonds					
US Treasuries	USD	-1.3%	-1.5%	6.5%	10.3%
US Treasuries (inflation protected)	USD	-0.6%	-0.5%	7.7%	9.2%
US Corporate (investment grade)	USD	-1.0%	-1.2%	12.5%	13.9%
US High Yield	USD	0.1%	0.2%	11.9%	7.9%
UK Gilts	GBP	-1.7%	-2.2%	7.4%	10.2%
UK Corporate (investment grade)	GBP	-0.7%	-1.0%	9.9%	10.1%
Euro Government Bonds	EUR	-0.9%	-1.2%	7.5%	9.4%
Euro Corporate (investment grade)	EUR	-0.3%	-0.3%	6.2%	5.7%
Euro High Yield	EUR	0.4%	0.4%	9.5%	6.3%
Japanese Government	JPY	-1.2%	-0.8%	2.1%	3.6%
Australian Government	AUD	-1.2%	-1.3%	8.4%	11.9%
Global Government Bonds	USD	-1.8%	-1.9%	5.0%	8.1%
Global Bonds	USD	-1.4%	-1.5%	5.7%	8.1%
Global Convertible Bonds	USD	0.4%	0.7%	8.6%	5.7%
Emerging Market Bonds	USD	-0.9%	-0.8%	8.5%	9.5%

Source: Bloomberg. Past performance is not indicative of future returns

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Asset Class/Region	Currency	Currency returns			
		Week ending 8 Nov. 2019	Month to date	YTD 2019	12 months
Property					
US Property Securities	USD	-3.5%	-3.4%	23.0%	14.6%
Australian Property Securities	AUD	-1.8%	-1.3%	17.0%	16.1%
Asia Property Securities	USD	-0.2%	0.4%	12.8%	16.8%
Global Property Securities	USD	-2.2%	-2.0%	19.7%	15.0%
Currencies					
Euro	USD	-1.3%	-1.1%	-3.8%	-3.3%
UK Pound Sterling	USD	-1.3%	-1.3%	0.2%	-2.4%
Japanese Yen	USD	-0.9%	-1.1%	0.4%	4.4%
Australian Dollar	USD	-0.9%	-0.5%	-2.7%	-5.9%
South African Rand	USD	1.4%	1.7%	-3.0%	-4.9%
Swiss Franc	USD	-1.2%	-1.1%	-1.5%	0.7%
Chinese Yuan	USD	0.6%	0.6%	-1.7%	-0.9%
Commodities & Alternatives					
Commodities	USD	-0.1%	1.6%	8.6%	-1.2%
Agricultural Commodities	USD	-0.3%	0.2%	-3.8%	-6.3%
Oil	USD	1.3%	3.8%	16.2%	-11.5%
Gold	USD	-3.1%	-3.3%	14.1%	19.5%
Hedge funds	USD	0.2%	0.3%	6.5%	3.4%

Source: Bloomberg. Past performance is not indicative of future returns

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Important notes