



THROGMORTON
PRIVATE CAPITAL

Monthly Market Commentary



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January Market Update

“Just as global growth momentum seemed to rebound, investors began to contemplate the economic threat to growth posed by the coronavirus”



Matthew Cove DipFA
Director
01304 371 753

In January, markets reflected two competing factors. On the one hand, the coronavirus threatened not only the timing, but potentially the trajectory of a global growth recovery during 2020. On the other hand, recent and broadly positive readings on economic activity and sentiment surveys suggested that global growth momentum had hit the bottom in Q4 2019, leading to private sector confidence decidedly improving around the turn of the year.

However, just as global growth momentum seemed to rebound at the start of the year, investors began to contemplate the economic threat to growth posed by the coronavirus outbreak in China. This led to market sentiment significantly weakening during January, with most major equity markets falling in value. Developed markets fared better than emerging markets and the MSCI World Index ended down 0.11% for the month.

Whilst Government bond markets rallied quickly during January, due to the change in investor sentiment and an increased demand for safe haven assets, riskier corporate bonds sold off as broader risk sentiment declined during the second half of the month, with lower quality names underperforming.

The Bank of England held interest rates constant despite lower than expected inflation and Brent Oil prices declining by 12%.

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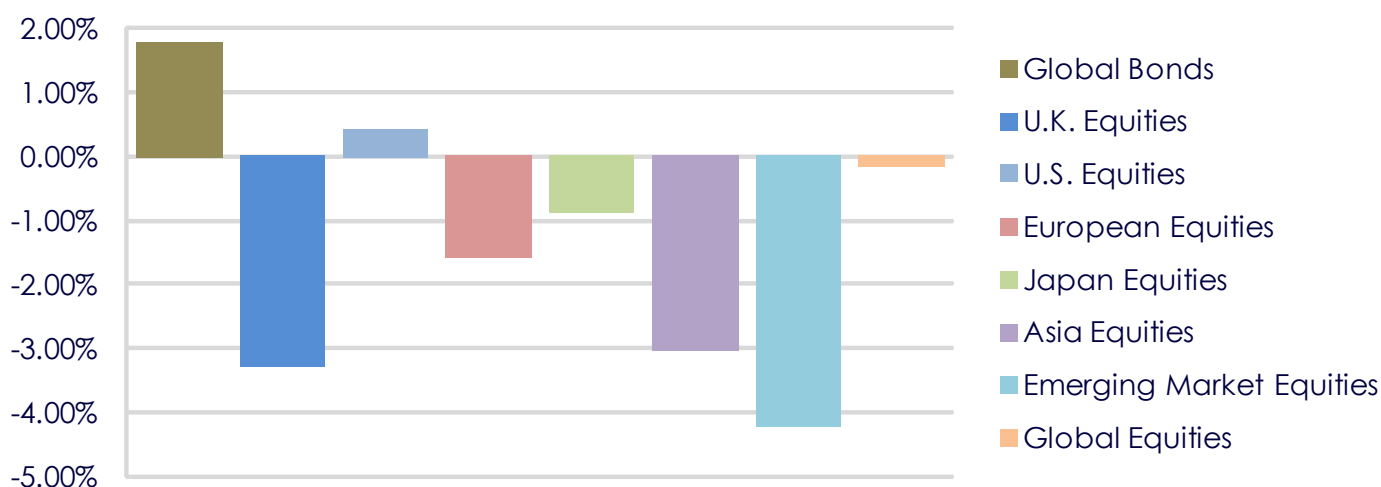
On the corporate earnings front, the Q4 reporting season is underway, with around 70% of U.S. companies having reported. Overall, earnings momentum seems to be improving with positive earnings surprises in the U.S. and Europe being broadly supportive of Equity prices.

The coronavirus effects will undoubtedly cloud macroeconomic readings over the coming months and we would not be surprised to see equity prices

temporarily stagnating due to the uncertainty about the extent of the outbreaks' damage to economic activity.

However, provided that the virus does not significantly alter the trajectory of Global growth and by extension companies earnings potential, we believe that Global growth will modestly accelerate during 2020, following a significant but transitory hit during Q1.

Discrete Monthly Performance as at 31/01/2020



All investment involves risk. It is important you understand that past performance is not a guarantee of future performance. The value of investments and any income derived from them may go down as well as up and you might not get back the full amount you invested.

Cumulative Performance and Annualised Volatility as at 31/01/2020

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	6.36	8.35	29.53	9.69
U.K. Equities	10.67	18.44	35.61	9.93
U.S. Equities	20.71	40.86	97.95	11.21
European Equities	14.11	22.48	47.37	10.72
Japan Equities	10.97	17.27	59.16	11.20
Asia Equities	7.79	20.27	50.61	12.78
Emerging Market Equities	3.60	19.82	41.87	14.42
Global Equities	17.49	32.13	75.34	10.28

Data source FE Analytics 31/01/2020. Indices used: Global Bonds: Bloomberg Barclays Global Aggregate, UK Equities: FTSE All Share, US Equities S&P500, European Equities: FTSE Developed Europe (Ex UK), Japan Equities: MSCI Japan, Asia Equities: FTSE World Asia Pacific (Ex Japan), Emerging Markets Equities: MSCI Emerging Markets, Global Equities: MSCI World. Volatility annualised over 5 years.

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