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“You got a new horizon, it’s ephemeral style...” - lyric extract from Feel Good by Gorillaz

If anyone out there was predicting that January 2019 would be the strongest performance month for global equity markets in over seven years, I would be grateful if they could be pointed out to me as I would like to shake their hand.

Financial markets... don't you just love them? If ever we needed a reminder that the investment world in the shorter-term makes a substantial nod towards fear, greed and other basic human psychological drivers, then we got a big old reminder in the last five weeks or so. It was actually about that long ago, that one of the relatively upbeat themes that dominated the 2019 outlook musings I published in mid-December (specifically, that large cap pan-European earnings per share growth this year would be proportionately higher on a year-on-year basis than the equivalent large cap number for the United States) piqued the interest of a producer on an American financial TV channel. This was clearly because it was, at the time, a suitably rare positive view that it would provide some alternative 'colour' for their viewers. As it happened, I

received this request whilst out and about at a garden centre in rural Buckinghamshire with the family, so the interview never happened. Even so, it is highly unlikely that I would have communicated an anticipation that January would see the European bourses having their best monthly total return since October 2015, with every country contributing, one well-known US market having its best start to a year since 1987 (whatever happened later that specific year?!) and even Brent crude having its best January since 2005.

January - however - was hardly a vintage month for progress in two major issues that have dominated the financial media recently. Locally, it has been hard to move without bumping into some form of Brexit commentary which was attempting to interpret the latest twists and turns. Across the whole month the rhetorical input was material compared to the actual progress towards a final outcome and much work remains to be done. The Pound remains a one stop shop insight and its advance during the month is a nod towards a view that 'no-deal' has become less likely, even as the political games of 'Brexit chicken' continue apace. My view remains that the majority within Parliament (and maybe within the country) for at least a soft Brexit deal will ultimately prevail but multiple scenarios still exist, and progress towards a finale (or at least a delay in the timetable) must be apparent by the time I write early March's note... otherwise cue the Ides of March imagery.

Talking about early March, this remains the deadline for the current bilateral trade talks between China and the United States to reach some kind of conclusion and avoid an upping of tariff levels which would be a very clear negative for the global economy. Evidence throughout the month has been legion supporting the view that neither side can afford further negative impacts on their economy, supplemented by gloomy global growth reducing updates from

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supranational institutions such as the International Monetary Fund and the World Bank. All eyes therefore should be on the mid-February meetings planned in China. I still remain hopeful of a step back from the trade war precipice and - via market transmission mechanisms such as a lower dollar - the scope for higher global markets. Despite the inevitable local importance of the Brexit debate, trade angst remains the number one global market risk, making any progress or deal a positive.

In short, January's excitement - in itself a corollary to December's deep pessimism - has not changed my preference towards risk assets such as equities for 2019 overall. Just do not expect financial markets to inexorably replicate January's proportional appreciation: a mix of two steps forward and one step back for the rest of the year is much more likely. And that remains more than workable for the average active investor.

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