IMPERIUM CAPITAL

momentum

Weekly Digest

The perks of being global

30 September 2019

– *Lorenzo La Posta*

This morning I woke up in my Swedish bed, had American pancakes with Canadian maple syrup and Chilean grapes for breakfast, read the morning edition of a Spanish newspaper, chatted with my Indian partner about our upcoming trip to the Philippines and said "Buongiorno" to my Chinese neighbour I met in the German elevator while heading out to get to work (a South African firm, by the way). All of this by 8 am, wicked right? We, as investment managers, cherish globalisation and take full advantage of the manifold opportunities this phenomenon has to offer.

Last week we hosted the 19th edition of ThinkTank, our flagship annual conference, which saw twelve investment professionals and a fintech CEO stepping onto the stage to share their thoughts on a variety of investment-related topics with around 90 delegates from all over the world (Europe, South Africa, Middle East, Latin America, Southeast Asia, Far East). Over two days, presentations ranged from macroeconomics to systematic strategies, from Asian equities to infrastructure debt, from undervalued large caps to growing unlisted companies, from real estate to sustainable investments. Overall, it was a large and diverse pool of people, experiences and topics that sparked constructive discussions and plenty of food for thought. What is wonderful about gathering people with different opinions and perspectives is observing how far apart two people's interpretation of the same matter can be. After all, how can one defend their thesis without disproving the antithesis? The route towards solid knowledge always goes through stress-tests and challenges and no single, isolated environment could ever offer enough intellectual diversity.

We leverage globalisation at a manager research level too. As mentioned a number of times, we believe no single firm can offer the best investment capabilities in all asset classes, regions and sectors and we are aware that the best investors out there are probably scattered around the world, rather than being concentrated in the City of London. Clearly, being in one of the largest financial centres in the world helps, as many valid managers are either based here or are willing to travel, but ultimately diamonds are formed in the depth of the earth and we are ready to knock on remote doors if we believe there is quality to be found behind. Thanks to globalisation (and especially to the technological developments this came along with), we have an almost instant access to an immense amount of information that only a century ago was unconceivable and from our very desk we can interrogate databases, speak to investors on the other side of the world and analyse their strategies. We strive to provide our clients with sophisticated solutions by making full use of the extent of available opportunities, while always steering clear of shortcuts and laziness. The search for the next Warren Buffet has no geographical obstacle and neither do we.

Links between various countries and economies expand and strengthen, hunger for financing is insatiable and capital always tries to flow where it is best utilised. Companies can be based in one country but their stocks might trade elsewhere and their revenues could be generated all over the world. Meanwhile, they can issue debt in various currencies, multiple jurisdictions and under many regulations. Investment managers can access hundreds of markets, trade millions of securities, gain exposure to a variety of different economies, business cycles and themes. The financial community shares ideas seamlessly, businesses and clients have never been so close and offer and demand meet each other with minimal role played by physical distance. There is no coming back from globalisation, hopefully.

Weekly Digest

30 September 2019

The Marketplace

- US President Donald Trump currently has an impeachment inquiry ongoing
- The UK Supreme court ruled that Boris Johnson's suspension of parliament was unlawful
- Brent crude oil fell 3.7% ending the week at $61.9 a barrel
- Gold fell 0.1% ending the week at $1502.2 an ounce

Market **Focus**

US

- The Conference Board's consumer confidence indicator fell to 125.1 (vs an expected 133.0).
- The impeachment inquiry regards a call that took place between President Trump and new Ukrainian President Zelensky, concerning comments made about Trump's political opponent Biden.
- Vice chair Richard Clarida commented at a Fed Listens event that inflation is running close to the 2% target and expectations are consistent with price stability.
- US equities fell by 1.0%, with the year-to-date returns falling below 20% to 19.4%.
- US markets were largely unsettled following both the impeachment inquiry and Donald Trump's comments criticising China and his unwillingness to accept a "bad [trade] deal".

Europe

- Data showed a 5.7% year-on-year rise in the M3 money supply, higher than expected.
- The German government unveiled a €54bn package of measures to deal with climate change, with Chancellor Merkel stating that Germany would stick with the "black zero" policy of no deficit spending.
- European equity markets fell by 0.3% over the week, placing their year to date figure at 20.2%.

UK

- UK Confederation of British Industry's retail sales volume survey for September wasn't as negative as feared, printing -16 compared to an expected -25.
- Sterling fell under the pressure of calls for an interest rate cut following comments from Michal Saunders (BoE policymaker) that the Bank of England might want to consider lowering rates even if a deal is reached on Brexit.
- UK equity markets gained 1.1% over the week.
- UK Gilts rose 1.3% by week end, and investment grade corporate bonds returned 0.6%.

Asia/Rest of The World

- The US and Japan have finished preliminary trade deal talks, with Prime Minister Abe saying that he received direct confirmation that the US wouldn't apply tariffs on Japan's auto exports.
- The lack of positive headlines regarding the US-China trade war led to a fall in the Chinese market ahead of the week-long 'Golden Week' holiday in China, with falls of up to 2.5% in the benchmark index.

Past performance is not indicative of future returns.

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

Weekly Digest

30 September 2019

Asset Class/Region	Currency	Currency returns			
		Week ending 27 Sept. 2019	Month to date	YTD 2019	12 months
Developed Market Equities					
United States	USD	-1.0%	1.3%	19.4%	3.1%
United Kingdom	GBP	1.1%	3.2%	14.1%	2.6%
Continental Europe	EUR	-0.3%	2.9%	20.2%	5.1%
Japan	JPY	0.2%	7.1%	9.9%	-8.6%
Asia Pacific (ex Japan)	USD	-1.8%	1.7%	7.8%	-1.8%
Australia	AUD	-0.2%	2.3%	23.1%	13.4%
Global	USD	-0.9%	1.9%	17.4%	1.4%
Emerging markets equities					
Emerging Europe	USD	-0.5%	4.4%	18.5%	11.3%
Emerging Asia	USD	-2.2%	1.7%	5.7%	-4.3%
Emerging Latin America	USD	0.0%	3.4%	7.1%	6.9%
BRICs	USD	-2.2%	1.2%	8.6%	2.7%
MENA countries	USD	0.5%	-1.1%	3.5%	2.6%
South Africa	USD	-4.0%	0.5%	-0.9%	-6.2%
India	USD	2.7%	5.7%	5.7%	9.1%
Global emerging markets	USD	-1.9%	2.0%	6.0%	-2.3%
Bonds					
US Treasuries	USD	0.6%	-0.9%	8.1%	11.0%
US Treasuries (inflation protected)	USD	0.1%	-1.3%	8.2%	7.6%
US Corporate (investment grade)	USD	0.5%	-0.7%	13.1%	12.9%
US High Yield	USD	-0.3%	0.4%	11.4%	6.5%
UK Gilts	GBP	1.3%	0.5%	12.0%	14.6%
UK Corporate (investment grade)	GBP	0.6%	0.1%	11.2%	11.3%
Euro Government Bonds	EUR	0.7%	-0.4%	10.0%	11.4%
Euro Corporate (investment grade)	EUR	0.2%	-0.8%	6.7%	6.3%
Euro High Yield	EUR	-0.4%	-0.1%	9.4%	5.2%
Japanese Government	JPY	0.2%	-1.1%	3.6%	5.2%
Australian Government	AUD	0.5%	-0.3%	10.8%	14.2%
Global Government Bonds	USD	0.3%	-1.2%	6.7%	8.5%
Global Bonds	USD	0.1%	-0.9%	6.6%	7.6%
Global Convertible Bonds	USD	-1.1%	-0.3%	6.0%	0.5%
Emerging Market Bonds	USD	-0.3%	0.2%	8.9%	8.2%

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

Asset Class/Region	Currency	Currency returns			
		Week ending 27 Sept. 2019	Month to date	YTD 2019	12 months
Property					
US Property Securities	USD	1.1%	2.7%	25.7%	18.6%
Australian Property Securities	AUD	0.8%	-2.3%	17.6%	12.7%
Asia Property Securities	USD	-0.9%	2.1%	8.0%	7.7%
Global Property Securities	USD	0.6%	2.3%	18.9%	13.2%
Currencies					
Euro	USD	-0.6%	-0.4%	-4.4%	-6.2%
UK Pound Sterling	USD	-1.4%	1.2%	-3.4%	-6.0%
Japanese Yen	USD	0.0%	-1.4%	1.7%	5.2%
Australian Dollar	USD	-0.1%	0.5%	-4.0%	-6.4%
South African Rand	USD	-1.4%	0.1%	-5.2%	-7.4%
Swiss Franc	USD	0.2%	0.0%	-0.8%	-1.3%
Chinese Yuan	USD	-0.4%	0.5%	-3.4%	-3.3%
Commodities & Alternatives					
Commodities	USD	-1.6%	2.6%	5.6%	-7.2%
Agricultural Commodities	USD	0.8%	3.1%	-7.3%	-8.4%
Oil	USD	-3.7%	2.4%	15.1%	-24.2%
Gold	USD	-0.1%	-1.4%	17.2%	26.8%
Hedge funds	USD	0.0%	0.6%	5.9%	0.1%

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

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