THE **CAMBRIDGE** WEEKLY

2019 Outlook

17 December 2018

Lothar Mentel

Lead Investment Adviser to Cambridge

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Cambridge's 2019 Outlook

Overview

It's fair to say that most investors and commentators are taking a fairly bleak view of 2019's prospects. The rampant US growth engine that drove the global economy forward this year appears to have passed its peak and is likely to slow down further as the sugar high of Trump's fiscal tax cuts wanes. Every other major region has already slowed markedly and has its own issues to contend with. As markets wade through these myriad problems, they will also face two overarching headwinds: a global liquidity squeeze brought on by tightening central bank policy and the dampening effects of Donald Trump's trade wars.

In equities, this will almost certainly translate into lower company earnings growth than the stellar figures we saw this year. But despite all this gloom, there are reasons to think that 2019 could have some positive surprises for investors. In a sentence, our over-riding sense for the upcoming year is: markets have become too bearish relative to the underlying economy, and so there's investment upside to be found.

Let's start with a recap. 2017 ended with some of the strongest and most globally synchronised economic growth in a decade. Nevertheless, 2018 turned into a year to forget for investors. We began with quite a pop, as growth expectations, earnings expectations and stocks shot up globally in January, and particularly in the US. The world's largest economy stayed in top shape throughout the year but, despite roaring earnings growth – which was revised up from initial expectations of 11% and is now likely to exceed 22% for the year – equities failed to respond in kind by holding on to their January and September highs. Volatility suddenly re-emerged in the form of a nosedive in February and March, a prolonged October slide and repeated bounces back and forth since. This has left the US S&P 500 hovering around the 0% point for the year.

But the February and October sell-offs went well beyond the US of course. After the January rally, equities in all the major economies took a significant hit, as rising bond yields reflected and exacerbated a global liquidity shortage which soured investors' outlooks. This drove up market volatility, decreased risk appetite and drove down risk asset prices. But unlike in the US, where markets recovered to new highs by late summer, other regions had lost the underlying economic growth momentum and fell back.

Donald Trump's fiscal stimulus proved a huge boon to the US economy, but with the expansion came the need for further tightening of monetary policy from the Federal Reserve. The resulting dollar surge was bad news for emerging markets (EMs), virtually all of whom were forced to raise interest rates, with Turkey in particular having to bear crushingly high interest rates to stop capital exodus. Meanwhile, China's crackdown on their shadow banking sector caused a prolonged slowdown. EMs were hit with a triple whammy: higher interest payments on dollar-denominated debt, capital outflows and a drop-off in demand from one of their main customers.

That divergence hurt the EU and Japan too. Both had become victims of 2017's success (especially the EU) as growth pushed up their currency values and decreased competitiveness of their exports. Even though that currency trend reversed, this failed to give much of a boost, as much of the incremental export demand these days comes from – now much larger – EMs, especially China. And against our expectations, neither Europe nor Japan were able to mobilise domestic demand to compensate for the

global drop-off. Their savings rates remain stubbornly high, and consumers' unwillingness to run down balance sheets or reduce their savings rates to fuel consumption hampered their economies this year.

Now that we've gone through the catharsis of the last 12 months, there are signs that the world's economies could be heading back to convergence. Most expect a cooling off in the US, which should take the rate rise pressure of the US Fed, and the dollar has been stable for some months. This has helped EMs, as has the increased Chinese demand from Beijing's stimulus package. While not on the same scale as their 2015/16 showing (either in terms of size or likely effect) there are signs that China's crisis measures are prompting a recovery in wider EMs.

Meanwhile, Europe and Japan will likely continue being Europe and Japan. But while the single market's structural challenges are deep-rooted and in some areas serious, we're not convinced that any of them will be enough to derail persistent if underwhelming base growth on the continent which should once again be buoyed by returning EM demand. Overall, a slowing of the US down to 2-3%, a recovery of EMs to 4-5% and a muddle-through elsewhere seems likely as a base case. This may not return us to the 2017 prospects of the 'old normal', but it should at least bring back the previous slow-but-steady growth environment.

There are clearly identifiable upside and downside risks to this scenario: political shifts, monetary policy changes and the size of China's and other governments' stimuli (in reaction to the appearance of a slowdown).

Upside would come from a swifter-than-expected resolution to various political hotspots which are currently holding back spending and investment. If we manage to sail past the icebergs of Brexit, a Trump trade war and the Italian (budget) populists, and we come out (relatively) unscathed, it could unleash a wave of pent up capex demand.

On the monetary policy side, a pause in the Federal Reserve Open Market Committee's tightening cycle could calm liquidity concerns and reverse the squeeze, as investors return their own liquidity to the financial system. While Europe and Japan are not obviously tightening, some commentators are calling for a stay of execution in the reversal of quantitative easing. Apart from perhaps the US, the world isn't seeing enough strength from the economy for this to be possible without collateral damage to capital markets. If central banks were to pause the monetary tightening cycle, it could ease the pressure on credit markets, which should deliver a boost to the economy.

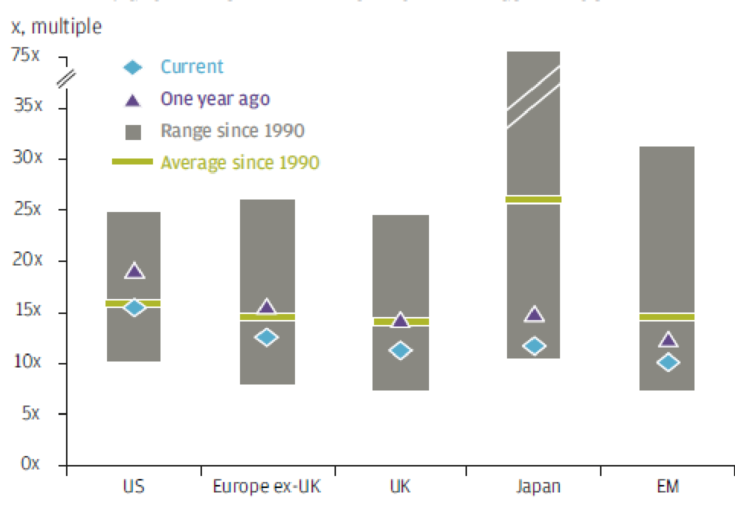
Of course, a boost could come from the fiscal side of the policy equation. JP Morgan estimate that the boost to GDP from Trump's fiscal stimulus was equivalent to 0.6% of GDP this year, with a slightly smaller stimulus of 0.5% next year. They put Europe's fiscal boost at just 0.3%, but after the French President Macron announced fiscal loosening this week to quell the rising unrest, there are reasons to think that other European leaders may follow and put a more decisive end to the era of fiscal austerity. That would likely provide a much-needed boost to European demand, which would undoubtedly help the global situation too.

And then there is China, whose monetary and fiscal stimulus bailed out the global economy both after the 2008/2009 GFC and then again after the 2014/2015 commodity slump. They have already launched a credit stimulus initiative, but one would hope that the overall package is more measured than in the past. If not, it would risk creating even larger financial instability than their previous credit binges.

As for downside risks, if monetary policy tightens too quickly further liquidity stress from capital markets could trigger an end to the expansionary credit cycle. This is potentially the biggest risk to the global economy in 2019. If rates rise faster than economic growth can keep up with, decreased lending and subsequently higher default rates will lead to a vicious cycle, where more and more access to credit falls away and the economy enters contraction. Unfortunately, Trump's unorthodox political actions make tighter-than-expected monetary policy a distinct possibility. With the US President expanding the budget deficit and Congress showing little sign of stopping him, the Fed may be forced to offset fiscal looseness with higher rates and an acceleration of QT. That could spell trouble for both the US and the world. A worse-than-expected outcome in Brexit, trade wars and other things is of course possible. But on this we are more relaxed than others, for reasons we detail more in the regional breakdown.

That's the economy, now to markets. One of the main reasons for the market falls this year has been the liquidity squeeze brought on by tightening monetary policy (among other things). When liquidity falls away, even minor selling pressures can suddenly cause major market losses. Indeed, that's what we saw this year in both the major selling episodes. But the return of stock market volatility that this caused proved too much for some investors, who had over the past decade become used to the abundance of central bank liquidity calming the waters.

Subsequently, risk appetite among investors has decreased and ipso facto the premium for tolerating risk has gone up. Fallen equity valuations show this requirement for an increased risk premium. After becoming extremely stretched at the end of last year, stocks now look comparatively cheap. This can also be gleaned from credit spreads, which have increased significantly, resulting in much higher rates for business loans government bonds compared to last year. The current credit spread levels would only be justified (in economic terms) if default rates had risen significantly or if markets were expecting a significant economic downturn. Otherwise, investors would be receiving a hefty premium for a relatively



Source: IBES, MSCI, Standard & Poor's, Thomson Reuters Datastream, J.P. Morgan Asset Management. Chart uses MSCI indices for all regions/countries, except for the US, which is the S&P 500. EM is emerging markets. Past performance is not a reliable indicator of current and future results. Data as of 30 November 2018.

low level of risk.

The operative question then: does the underlying economy justify such low valuations? Or have investors simply become too risk-averse, as they have once again rotated from excessive optimism to just as excessive pessimism? For the reasons given above, we strongly suspect it's the latter. Current equity valuations seem to be pricing in an economic downturn that neither ourselves nor others see manifested in the economic fundamentals. Even if things slow – which we expect them to – they would have to slow quite monumentally to match current market levels. So, when data releases show things aren't quite as bad as made out, or politicians and central bankers act more sensibly than markets currently anticipate, we should expect a fairly significant rebound.

This is why we refrain from following the market's herd instinct to project forward on the basis of the recent past and on current market levels. Rather, we take a step back and make a broader assessment. This leads us to a more positive outlook for risk assets in 2019, despite the likelihood of slowing economic activity. In our view, the cathartic market actions of 2018 have led to the downside risks being more than priced in, while the upside potential is not. Last year, we were more concerned about the return of exuberance to equity markets and the likely volatility this would bring for 2018. But this year, we believe real upside has returned to risk asset markets for 2019. However, the extent of this upside – and whether it will materialise at all – hinge uncomfortably on central bank decisions, political willpower and on China.

After an unsatisfactory 2018, this sets the stage for a surprisingly positive 2019. Of course, history has taught us that at this late stage in the cycle, considerable upside potential is finely balanced by downside risks which can cause outsized market reactions. Unfortunately, sometimes those market reactions have the ability to end the cycle themselves. Much to do then but at least with more upside potential to look forward to than we could have possibly spotted in last year's outlook.

Regions

UK

It's crunch time. After more than two years of back and forth, Britain's 'will they won't they?' drama with the EU is coming to a head. Or is it? The last few weeks may have been theatrical but amount to another bout of kicking of the can down the road. Not wanting to risk her deal's likely defeat in Parliament, the Prime Minister cancelled the tabled vote and faced a vote of no confidence from her own party for it.

She survived, but she's on life support. Her deal probably hasn't survived, even though getting anything more than cosmetic changes will be an uphill battle with EU negotiators. Though it's worth noting that recent signs from the continental press point to a more lenient stance from the Europeans. Britain really is an important trading partner for the EU, and politicians seem to be suddenly waking up to this fact.

What recent developments have established is that Britain's fate will be Parliament's to decide, not the Government's and not even the Tories'. Even amid the chaos, there's reason to take heart in that. There isn't a Parliamentary majority for a no-deal Brexit, and calls for a softer Norway-style deal or a second referendum grow louder by the day. In truth, anything could happen between now and the official March exit date: a speedy resolution, a harder Brexit, a Labour government or none of the above. But even if the Parliamentary arithmetic adds up to a softer Brexit, the danger is that in arguing where we're going

no one pays attention to the road. This would see all the other pressing issues go unaddressed, creating economic drag through poor political stewardship.

The good news is that for UK assets, this may not matter. Investors seem to now regard Britain as toxic, and so virtually all UK assets have an outsized risk premium attached to them. Things may be bad, but if valuations are any indication you'd think Crash Brexit was the inevitable destination. And the last two years have shown that Brexit fears can sink sentiment, but they do little to hurt company profitability.

Since the referendum, the fate of UK exporters has been inextricably linked to the value of Sterling, rising when it falls and vice versa. So, the current bout of Sterling weakness could yet again produce some strength next year – particularly if trading conditions remain unchanged through a 'transition period'.

The key question will be employment. British companies will likely continue to be profitable – particularly large multinationals with non-sterling revenue and so strong employment should continue. If Brexit gyrations had caused unemployment to rise, we could be looking at a very different picture.

However, if Brexit ends up looking like the current deal – or if the whole thing's called off – then there is considerable upside potential for the UK's economy. A recovery of £-Sterling should be expected, which would reverse some of the overseas revenue (translational) benefits for multinationals. But on the whole, businesses will benefit from a reduction in UK's relatively higher cost of capital. Business investment would likely be stepped up, helped as well by some better confidence over the future trading position. Stock selection will become key in such a scenario, which will once again see winners and losers from the change in outlook and currency values.

EU

Europe is a bit leaderless and rudderless, but not hopeless. After more than 10 years at the top, Germany's head of government, Angela Merkel, the most powerful woman in Europe (and in all likelihood, the world) is bowing out. Meanwhile, France's new kid on the block has lost his reformist shine. Perversely, the one place where leadership looks strong-willed is the one place the union doesn't want it: Italy.

But European political crises are nothing new. The single market's ills aren't acute; they are chronic. What is new is the rumblings of EU-wide fiscal stimulus. President Macron was quick to cave in to the gilets jaunes protest movement – as French presidents are wont to do – but the European commission was similarly quick to accept the loosening of France's fiscal position this brought. This is despite the fact that they've already initiated punitive measure against Italy's populist government for similar (and realistically quite minor) infractions. The Eurocrats' leniency on France will make it hard for them to tell off the Italians with a straight face. Rome is no doubt aware that the biggest offender of the Maastricht treaty's budget rules isn't any of the periphery countries subjected to the European Troika's crushing conditions; it's France.

In any case, French fiscal stimulus will likely have more impact than Italy's – perhaps even on Italy itself. The continent suffers from an inability to generate internal demand, instead relying heavily on external demand for its exports. In 2017 this meant they could feed off global strength for growth, but this year – initially due to Euro strength and then due to a global demand shortfall – things weren't as positive.

In theory, Europe already has the basis for strong growth: high consumer savings rates and loose monetary policy means that there is great potential for demand-led growth. But in the past this has been hampered by three main factors: an impaired banking system that fails to recycle surplus savings into lending, political crises dampening sentiment, and excessive fiscal tightness.

The first factor is unlikely to improve much – though with Macron's proposed banking reform we shouldn't discount the possibility. The second could well get worse. But as mentioned, the third factor looks more promising. While a fiscal loosening in France and Italy is likely, the real help would be Germany. Unfortunately, any substantial move there is unlikely. But with Merkel's centrist successor Annegret Kramp-Karrenbauer (AKK for non-Germans) taking centre stage under populist pressure, Europe's largest economy probably won't get in the way of European fiscal expansion – at least not as much as they have done in the past.

All of this is without mentioning the ECB, who desperately want to bring ultra-loose monetary policy to an end but aren't seeing the economic justification for doing so. Further easing measures or a possible delay to the end of QE are therefore possible. But again, in our view markets are discounting these potential upsides and only focusing on the negatives. That sets the scene for positive if underwhelming surprises in 2019.

US

The world's largest economy led the pack this year in both GDP and earnings growth. The same was not true for US equities, who despite substantial profit increases end the year down overall. That's had the effect of pulling stocks back from lofty valuations a year ago to lowly ones now. Both earnings and GDP growth are unlikely to match (or even come close to) their stellar 2018 levels, and there are already early signs that the US economy is slowing. But like everywhere else, the falls in valuations don't match the expected falls in economic activity. What's more, recent sentiment surveys point to continued outperformance in the short-term at least.

But there are additional risks for the US. Donald Trump's trade wars have yet to have a pronounced effect on economic data, but the risk of slowing economic activity is one of the main investor concerns for next year. The threat is indeed real, but on the flipside any move towards a resolution will be a positive surprise for markets.

While that's going on, the federal budget deficit is growing larger. And while Trump's fiscal stimulus was a boon this year, there are growing concerns that the expansion of debt will become a problem – and importantly give the administration nowhere to turn if things do take a turn for the worse. That risk is amplified by the fact that the Democratic Party – who now have control of the lower chamber of US Congress – show no sign of wanting to rein in the fiscal position.

In our view, that's one of the main reasons the Fed want to tighten monetary policy further, despite little risk of runaway inflation. That's already brought Fed chair Jerome Powell into conflict with Trump, who wants rates kept low. And already Powell attempted what looked like appeasement in a recent speech, indicating that the Fed may adopt a less aggressive policy stance.

Only time will tell if that was anything more than just words. But it faces us with an uncomfortable situation: If the Fed holds off while fiscal expansion goes ahead, they risk a boom and bust scenario similar to the Nixon disaster. If they raise rates while trade wars dampen activity, they risk ending the credit cycle. Rising credit costs would decrease available funding and increase default rates, which would then heighten credit costs even more and so on. As we see it, this is the biggest risk in 2019 not just for the US but the world.

China

While a credit downturn is a risk in the US, in China it's already a reality. 2018 was the year we saw an economic slowdown with Chinese characteristics. Burgeoning credit and an out-of-control shadow banking sector necessitated a crackdown from Chinese authorities, but it came at a cost. The ensuing slowdown then became self-sustaining, as higher default rates left lenders terrified of their own loan books and available credit dried up. The fact that all of this was happening just as Donald Trump was cranking up trade pressure just made things worse.

In recent months, Beijing eased measures in an attempt to stave off the slowdown. Officials say they are still committed to the de-leveraging process, but stimulus measures have been enacted and do seem to be providing support. The easing is real, but is unlikely to be on the same level as in 2015/16, when Chinese stimulus propelled EMs and global growth to spectacular highs. That episode is one of the main reasons the credit binge got so bad. Officials simply can't afford a repeat.

The government have to toe a fine line between allowing a slowdown and pumping up the economy to bursting point. But current signs suggest they're toeing it reasonably well. Consumption growth seems to be heading higher as we start the year and employment is stable.

On the other side, property prices continue to be very weak. And unfortunately, this isn't just a temporary problem. Just like in the UK, property in China's tier 1 cities has become so unaffordable that it doesn't have any room to go higher. This is a negative for consumption, as property is heavily tied to Chinese consumer confidence (due to the balance sheet effect).

On the upside, it's possible that a bigger-than-expected stimulus boost could push China and EMs higher early in the year – particularly if it's combined with an easing of trade tensions. But on the downside, Beijing's limited stimulus capacity could lead to officials front-loading their easing measures. That could well mean 2019 sees a similar trajectory to 2018 for China: a good start but rising fears in the second half.

Japan

Will Japan ever stop being the same old Japan? History should make us cautious, but there are reasons to think so. While the Abenomics reforms have so far failed to produce many tangible economic results, they have laid the groundwork for what could be some positive effects down the road. The labour market is tight and will continue to be so, and due to the supply-side reforms this could finally start producing inflation pressures. If the increase in sales tax doesn't create problems (which it might) we could see increased confidence later in the year and a relatively good performance.

If demand picks up in China, Japan could also be a big beneficiary – particularly in the area of machine automation. Of course, for this to happen, there would have to be a fairly significant stimulus boost in China and – crucially – some clarity on Trump's trade wars. These are both possible, but far from certain. The one positive we can draw is that Japan's downside risks are mainly just a continuation of sluggish growth, while the upside potential is far better.

Emerging Markets

EMs were the whipping boys of 2018. They'll be glad to put it behind them, safe in the knowledge that things are unlikely to get much worse. For starters, the apparent end of US dollar strength will be music to their ears; companies suffering under the weight of dollar-denominated debt will get some reprieve. Policy easing in China will likewise be a welcome sign.

In terms of the underlying economy, we expect to see a split between commodity producers and EM-Asia. Weak global demand will be a negative for commodity nations, while Chinese policy measures could see the emergence of a strong Asian bloc in the first half of the year, centred around the world's second largest economy. The key focus will be what happens in the White House. Unless trade tariffs get much worse, it's hard to see too much of a downside for EM economies – particularly if the Fed pauses its rate hikes too.

But as we've seen this year, markets don't always track economic growth. After the savage beating they took this year, EM assets will no doubt look attractive at times in valuation terms. But the level of volatility will put a lot of investors off – who could turn to similarly 'cheap' but less risky assets in the UK, EU and Japan. As we said earlier, investors as a whole became more risk averse over the year, and that's never a good sign for EMs.

Asset Classes

Equities

We are relatively positive on equity performance next year. That is, relative to others in the investment community. This may seem strange given that we – like virtually everyone – expect a noticeable slowdown in global growth. But as we said above, our central reason is that markets are pricing in a larger slowdown than can reasonably be expected, given the current data. When expectations become reality next year and investors realise the world has – yet again – not fallen off a cliff, this is likely to mean a rebound for equities.

Of course, that doesn't mean it's going to be plain sailing. The reason valuations have fallen back as much as they have is that volatility has made investors more risk averse, rather than investors expecting a global recession. But the very fact that investors have become more risk averse makes risk assets vulnerable. The slightest whiff of trouble could send investors running.

The US is particularly vulnerable, as valuations haven't cheapened as much as elsewhere and the secular growth story that propelled tech stocks before could be challenged. For equity analysts, revenues are likely to be the main focus rather than margins. The only thing that could justify credit spreads being as wide as they currently are is the potential for defaults, so companies' cashflow will be the important

factor. If revenues remain decent – which we expect them to – then equity investors will be paid handsomely for a relatively low amount of risk.

Bonds

Government bonds will be subject to two competing forces next year: loosening fiscal policy and sluggish economic growth. We've already seen US Treasury yields shoot up over the year, as both growth and the government deficit increased. The fiscal pressure on Treasury yields won't go away, but the fall-back in global inflation is likely to put a cap on spiking yields.

As we wrote above, we also expect some fiscal easing in Europe. If this does happen and the ECB moves ahead with its plan to remove QE support, it will put upward pressure on Eurozone bonds. Of course, this will be very problematic for Italy (among others). But the ECB's plans for TLTROs will likely help, as will any dissipation of political tensions and a coordinated European fiscal response. Whether those last points are wishful thinking remains to be seen. Regardless, without a roaring economy EU-wide bonds won't have room to shoot up – even if we see some demand strength from elsewhere.

Whatever way you spin it, central bank policy is, well, central. If the ECB and the BoJ join the Fed in reducing their bond balance sheets, global liquidity could dry up even more than we saw this year. That would make bonds – and indeed all assets – very volatile.

Commodities

The outlook for commodities next year is a mixed bag. Prices fell towards the end of this year, and this if nothing else could set the stage for a rally in early 2019. Overall, the environment looks mildly supportive, but not massively so. In particular, global demand is unlikely to be strong enough to create a sustained rally. Stimulus effects from China will likely be a positive in the first half of the year, though this could well be offset by demand shortages elsewhere. Looking further, things could be trickier. Without another Chinese credit binge or strong global growth to feed off, upside will be limited.

Property

Residential property remains under serious pressure in a number of places. The US, UK, Canada, Sweden and Australia are all suffering from the same long-term pressure: property just isn't affordable. By contrast, prices in Europe are still relatively cheap. This is probably the main area for price increases next year – particularly if fiscal expansion helps banks regain profitability.

Commercial property is struggling even more so. The sector ended this year under significant pressure and is our biggest concern for 2019, particularly in the second half of the year. It's hampered by the same liquidity pressures that hurt equities this year. The biggest source of weakness seems to be retail – perhaps unsurprisingly. The troubles of the UK high street are well known, and there are similar concerns in the US. Unfortunately, those issues are part of a longer-term structural shift towards online shopping, so it's hard to see these pressures letting up.

CAMBRIDGE
INVESTMENTS LIMITED

17th December 2018

Global Equity Markets

MARKET	FRI, 16:30	% 1 WEEK*	1 W	TECHNICAL
FTSE 100	6845.2	1.0	67.1	↘
FTSE 250	17666.9	-1.0	-177.2	↘
FTSE AS	3733.0	0.6	22.3	↘
FTSE Small	5208.8	-1.3	-68.2	↘
CAC	4853.7	0.8	40.6	↘
DAX	10865.8	0.7	77.7	↘
Dow	24155.2	-1.0	-233.7	↘
S&P 500	2614.9	-0.7	-18.2	↘
Nasdaq	6653.4	0.6	40.1	↘
Nikkei	21374.8	-1.4	-303.8	↘
MSCI World	1974.4	0.5	9.2	↘
MSCI EM	985.5	0.4	4.1	↘

Global Equity Market - Valuations

MARKET	DIV YLD %	LTM** PE	NTM*** PE	10Y AVG
FTSE 100	4.7	15.5x	12.0x	13.2x
FTSE 250	3.8	21.9x	12.7x	14.0x
FTSE AS	4.6	16.4x	12.1x	13.3x
FTSE Small	4.1	-	12.4x	13.9x
CAC	3.6	15.0x	13.0x	13.3x
DAX	3.4	11.9x	12.1x	12.5x
Dow	2.3	16.1x	15.2x	15.0x
S&P 500	2.1	17.9x	16.0x	15.8x
Nasdaq	1.1	21.8x	18.4x	17.7x
Nikkei	2.1	14.8x	15.4x	20.0x
MSCI World	2.6	16.3x	15.0x	15.1x
MSCI EM	3	11.9x	11.5x	12.1x

Top 5 Gainers

COMPANY	%
GVC Holdings	7.8
WPP	6.6
Ashtead Group	5.8
Bunzl	5.4
Anglo American	5.4

Top 5 Losers

COMPANY	%
John Wood Group	-9.6
J Sainsbury	-8.2
Next	-7.2
Marks & Spencer	-6.7
Barratt Development	-4.8

Currencies

PRICE	LAST	%1W
USD/GBP	1.26	-1.21
USD/EUR	1.13	-0.70
JPY/USD	113.36	-0.59
GBP/EUR	0.90	-0.48
CNY/USD	6.91	-0.48

Commodities

CMDTY	LAST	%1W
OIL	60.2	-2.4
GOLD	1240.1	-0.7
SILVER	14.6	-0.1
COPPER	275.0	-0.3
ALUMIN	1932.0	-0.2

Fixed Income

GOVT BOND	%YIELD	% 1W	1 W YIELD
UK 10-Yr	1.2	-2.0	-0.03
US 10-Yr	2.9	1.2	0.03
French 10-Yr	0.7	3.5	0.02
German 10-Yr	0.3	1.2	0.00
Japanese 10-Yr	0.0	-40.7	-0.02

UK Mortgage Rates

MORTGAGE BENCHMARK RATES	RATE %
Base Rate Tracker	2.34
2-yr Fixed Rate	1.73
3-yr Fixed Rate	1.85
5-yr Fixed Rate	2.02
Standard Variable	4.45
10-yr Fixed Rate	2.72

* The *% 1 week* relates to the weekly index closing, rather than our Friday p.m. snapshot values
** LTM = last 12 months' (trailing) earnings;
***NTM = Next 12 months estimated (forward) earnings

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Lothar Mentel

www.cambridgeinvestments.co.uk | enquiries@cambridgeinvestments.co.uk
Tel : 01223 365 656 | CB1 Business Centre, 20 Station Road, Cambridge, CB1 2JD