September 2019 quarter end review update

The table below sets out the quarterly open and closing values for the FTSE All-Share Index as well as the highs and lows in each quarter to highlight the changes year to date.

Quarter	Open	Close	High	Low	Return year to date
January – March	3675	3978	4020	3675	8.24%
April – June	3978	4056	4115	3923	10.37%
July – September	4056	4069	4186	3865	10.72%

The start of the last quarter saw the 120th consecutive month of growth for the US which is the longest since records began, resulting in several market commentators understandably predicting that we are now far closer to the end of the growth cycle. It is undeniable that nothing lasts forever, but part of the current longevity is also down to the fact that it has been the slowest rate of growth, which by definition, explains why it has lasted far longer than previous cycles.

Global economic growth has been slowing, but remains positive. Global inflation is benign, employment broadly speaking is at its highest rate and the majority of corporate earnings have been in line with expectations and a number are sitting with substantial cash reserves on their balance sheets. Nonetheless the picture isn't all positive, with retail continuing to adjust to high rental costs and the ever growing impact of online shopping with several high profile businesses either going under (such as Thomas Cook) or withdrawing planned IPO's or bond issues, the largest of which was We Work in the US.

When you then add in the continuing ongoing trade tensions between the US and China and short term unpredictable shocks as highlighted by the drone attacks on the Saudi oil installation (which resulted in a short term spike in the oil price but which has since eased back) markets continue to remain unsettled and will experience short term volatility.

Just when we thought politics could not become any more farcical, the UK now has a Government with no majority and no longer any executive power with the next key date being the 17th October when the EU Summit begins. If there is no resolution, the recently passed Bill will require a further extension. Across the pond the US, as our closest ally, wanted to ensure that we weren't left out in the cold and so the Democrats have started impeachment proceedings against the President!

On a more serious note, all of this adds fuel to the current uncertainty which will see markets remain unsettled in the short term.

Against this backdrop, whether in the US or Europe, central banks have continued to respond by cutting rates and providing liquidity with the hope of providing support for growth. However, there are increasing voices, including Mark Carney, who recognise that central banks can only do so much and that we are nearing the point at which governments will have to commit to public expenditure programs to provide additional stimulus.

Our approach in terms of asset allocation remains firmly based on diversification between the asset classes, which has stood client portfolios is good stead over what has been a testing time for investors. This is not to say that we are complacent. In our monthly investment meeting we consider all the main asset classes in the context of global investment conditions, which then determines our current asset allocation views as set out in the table.

Underweight	Neutral	Overweight
Index-linked Gilts: UK, US	Index-linked Gilts: Global	High Yield Bonds (for income)
Investment-Grade Bonds	Equities: China, Far East, Emerging Markets, Japan	Equities (large cap): Europe, Asia ex China
Equities (large cap): UK, US	Equities (small cap - value): UK, US	Equities (small cap): Europe
Property	Commodities	Specialist Equities: e.g. Infrastructure, Agriculture
Gold		

*Neutral means that, whilst we support the asset class, we do not generally want to adopt an overweight position.

As you would expect, there have been no material changes to the table over the last quarter other than we have started to see a slight shift from growth or momentum stocks to value stocks in the UK which we are keeping a watchful eye on.

1st October 2019