

December proved to be a difficult month with all of the major regional indices we track falling in local terms. Markets in the US and Japan in particular struggled with the FTSE100 being slightly more resilient on a relative basis.

The FTSE100 started 2018 at 7,688, rising to 7,778 by mid-January before falling below 7,000 at the end of March. The index recovered and reached an all-time high of 7,877 on May 22. The index remained broadly flat until the last quarter of the year when, along with all other major equity indices, it fell sharply to end the year at 6,728. This represents a loss of around 12.5% in capital terms for the full year, although if we include the effect of reinvesting dividends the total return is around -8.7%¹. Volatility remains high in the lead up to the UK leaving the European Union.

The S&P 500 ended the year with a loss of 4.9% (total return) in local currency terms. The index fell by around 9% in during December as a number of high profile tech stocks drove the index lower, wiping out the gains made during the rest of the year. Sterling's relative weakness means that a UK investor will have achieved a modest positive return of around 1%. The MSCI World index, which has a weighting of around 63% to the US equities, also fell during the month and finished 2018 with a negative return of 3%.

Japanese markets ended 2018 by posting a loss of almost 10% in December in local currency terms. UK based investors benefited from the Yen's status as a 'safe-haven' currency and the Yen's strength relative to the Pound reduced losses to 6.5%. Over the full year this currency effect is even more pronounced, a loss of over 15% in Yen terms translated to a loss of (only) 7.5% in Sterling translates.

The MSCI Asia Pacific ex Japan, Emerging Markets, and Europe ex UK indices produced losses of 2.6%, 2.5%, and 4.8% respectively in December. All three of these indices finished 2018 with negative returns of between 10.0% and 11.3% in local terms.

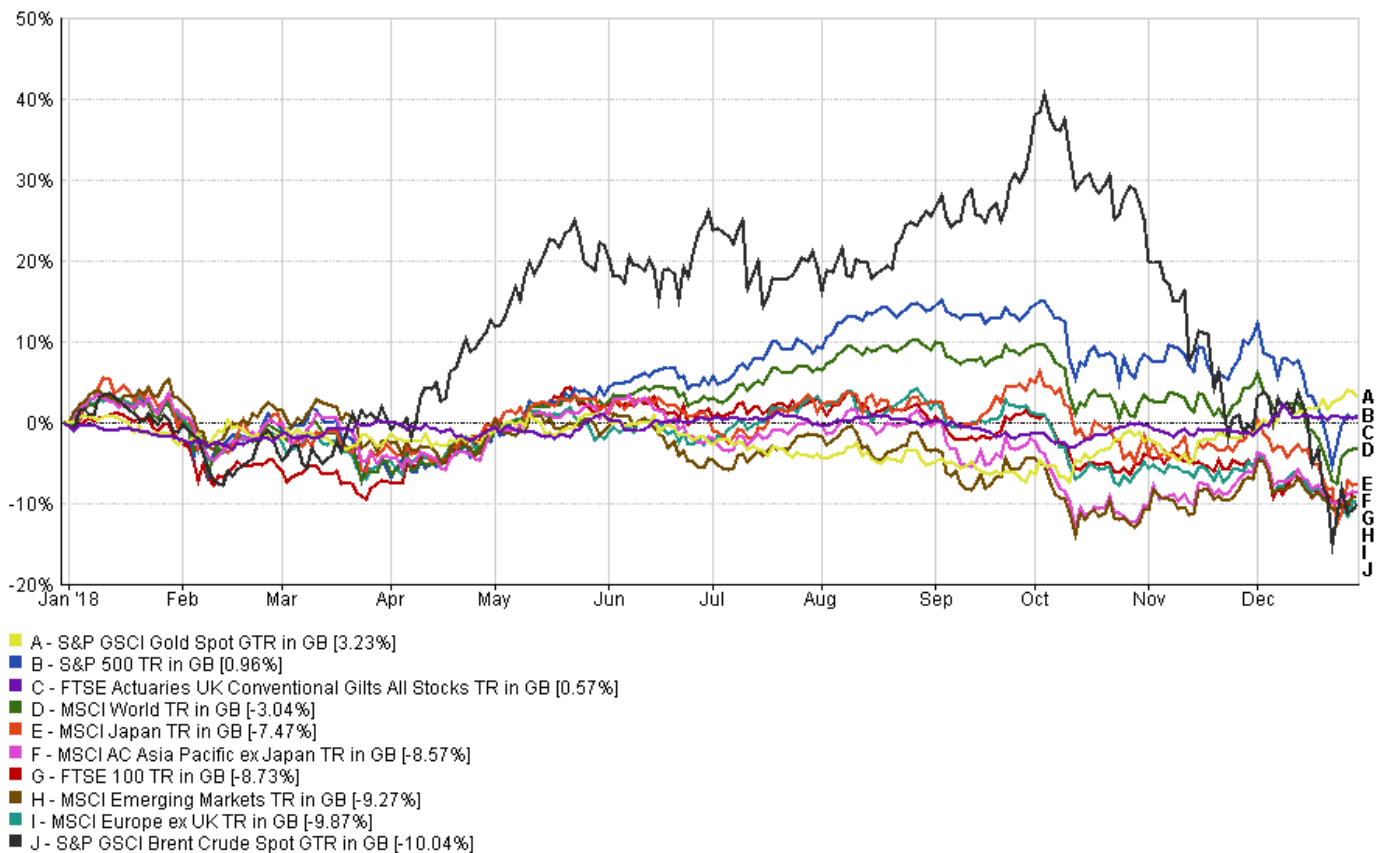
The yield on the 10 year US Treasury index fell in December to end the year at 2.7% having been as high as 3.2% in mid-August. The benchmark 10-year UK Gilt yield dropped to 1.3% having begun December at 1.4%. Yields have an inverse relationship to the price of a fixed interest asset and as such the FTSE Actuaries UK Conventional Gilts All Stocks index rose 2.2% over the month, pushing the return into positive territory for 2018 at 0.6%. Japanese and Swiss 10 year government debt yields remain close to zero and German 10 year bonds yield around 0.2%.

The Brent Crude spot price fell over 9% and is down 33% over just 3 months. For the full year prices have fallen by around 10% but this fails to emphasise the hugely volatile return the commodity has delivered during the year. Prices fell by over 20% in November alone and the price has now fallen by 38% from \$86.74 in early October to \$53.80 at the end of December. Gold prices increased by 4.9% in December, to finish the year up 3.2%

Richard O'Sullivan

¹ All returns are expressed in Sterling terms and inclusive of reinvested dividends unless otherwise specified

1-Year Performance in Sterling Terms to 31 December 2018

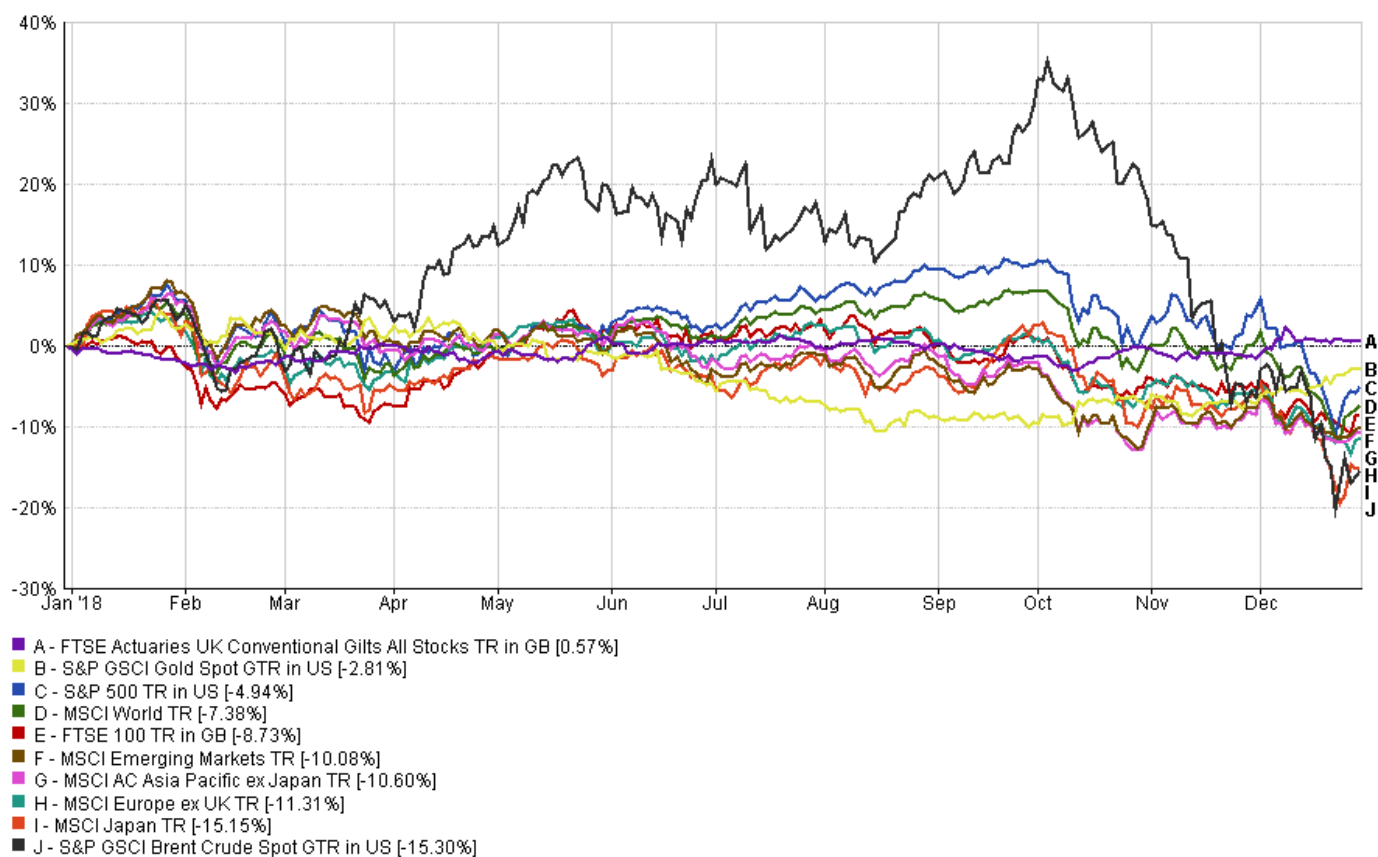


Cumulative Performance in Sterling Terms to 31 December 2018

	1m	3m	6m	1y	3y	5y
FTSE Actuaries UK Conventional Gilts All Stocks	2.19%	1.92%	0.15%	0.57%	12.75%	29.10%
MSCI World	-7.44%	-11.35%	-5.77%	-3.04%	39.02%	62.51%
FTSE 100	-3.49%	-9.64%	-10.24%	-8.73%	21.66%	20.94%
S&P 500	-8.91%	-11.59%	-3.73%	0.96%	48.18%	89.55%
MSCI Europe ex UK	-4.76%	-11.00%	-8.30%	-9.87%	23.85%	29.22%
MSCI Asia Pacific ex Japan	-2.62%	-6.70%	-6.90%	-8.57%	45.67%	52.54%
MSCI Emerging Markets	-2.48%	-5.26%	-5.14%	-9.27%	50.89%	41.11%
MSCI Japan	-6.51%	-12.18%	-7.82%	-7.47%	27.97%	51.23%
S&P GSCI Gold Spot	4.91%	9.80%	5.60%	3.23%	36.69%	34.50%
S&P GSCI Brent Crude Spot	-9.38%	-33.06%	-28.65%	-10.04%	45.42%	-53.88%

Source: Financial Express

1-Year Performance in Local Currency Terms to 31 December 2018



29/12/2017 - 31/12/2018 Data from FE 2019

Cumulative Performance in Local Currency Terms to 31 December 2018

	1m	3m	6m	1y	3y	5y
FTSE Actuaries UK Conventional Gilts All Stocks	2.19%	1.92%	0.15%	0.57%	12.75%	29.10%
MSCI World	-7.86%	-13.14%	-8.55%	-7.38%	19.62%	34.08%
FTSE 100	-3.49%	-9.64%	-10.24%	-8.73%	21.66%	20.94%
S&P 500	-9.07%	-13.66%	-7.13%	-4.94%	28.04%	45.76%
MSCI Europe ex UK	-5.98%	-11.84%	-10.23%	-11.31%	3.07%	19.21%
MSCI Asia Pacific ex Japan	-2.31%	-8.69%	-9.25%	-10.60%	25.00%	28.17%
MSCI Emerging Markets	-2.52%	-7.43%	-7.47%	-10.08%	28.77%	27.63%
MSCI Japan	-9.83%	-17.16%	-11.92%	-15.15%	0.86%	21.39%
S&P GSCI Gold Spot	4.73%	7.24%	1.87%	-2.81%	18.11%	3.43%
S&P GSCI Brent Crude Spot	-9.54%	-34.62%	-31.17%	-15.30%	25.66%	-64.54%

Source: Financial Express

Calendar Performance in Sterling Terms to 31 December 2018

	2018	2017	2016	2015	2014	2013
FTSE Actuaries UK Conventional Gilts All Stocks	0.57%	1.83%	10.10%	0.57%	13.86%	-3.94%
MSCI World	-3.04%	11.80%	28.24%	4.87%	11.46%	24.32%
FTSE 100	-8.73%	11.95%	19.07%	-1.32%	0.74%	18.66%
S&P 500	0.96%	10.62%	32.67%	6.58%	20.02%	29.10%
MSCI Europe ex UK	-9.87%	15.84%	18.62%	5.11%	-0.73%	25.28%
MSCI Asia Pacific ex Japan	-8.57%	25.13%	27.34%	-4.12%	9.21%	1.49%
MSCI Emerging Markets	-9.27%	25.40%	32.63%	-9.99%	3.90%	-4.41%
MSCI Japan	-7.47%	13.25%	22.12%	15.91%	1.95%	24.80%
S&P GSCI Gold Spot	3.23%	3.02%	28.52%	-5.72%	4.36%	-29.98%
S&P GSCI Brent Crude Spot	-10.04%	5.49%	53.23%	-42.51%	-44.83%	4.96%

Source: Financial Express

Calendar Performance in Local Currency Terms to 31 December 2018

	2018	2017	2016	2015	2014	2013
FTSE Actuaries UK Conventional Gilts All Stocks	0.57%	1.83%	10.10%	0.57%	13.86%	-3.94%
MSCI World	-7.38%	19.67%	9.97%	2.26%	9.92%	27.35%
FTSE 100	-8.73%	11.95%	19.07%	-1.32%	0.74%	18.66%
S&P 500	-4.94%	21.10%	11.23%	0.75%	12.99%	31.55%
MSCI Europe ex UK	-11.31%	15.25%	3.42%	8.66%	7.58%	23.37%
MSCI Asia Pacific ex Japan	-10.60%	22.20%	11.16%	-2.73%	4.18%	11.36%
MSCI Emerging Markets	-10.08%	27.42%	12.06%	-5.83%	7.17%	3.92%
MSCI Japan	-15.15%	21.00%	-0.28%	11.52%	10.32%	54.77%
S&P GSCI Gold Spot	-2.81%	12.79%	7.75%	-10.88%	-1.75%	-28.65%
S&P GSCI Brent Crude Spot	-15.30%	15.49%	28.46%	-45.66%	-48.07%	6.94%

Source: Financial Express

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