



Welcome to the season of perpetual hope

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“The world is but a perpetual see-saw” - Michel de Montaigne

Judging by the preponderance of retail sales offers throughout November in my email inbox, the rise and rise of ‘Black Friday’ should completely randomise the precise timing of this year’s Christmas retail spending. Similarly for those who think about financial markets, the three percent rise in pan-European indices during the eleventh month of this year - particularly when mated with the very low levels of volatility seen across the prices of many asset classes during the month - appears to have also pulled forward the traditional ‘Santa rally’.

Of course, the run up to Christmas last year was one of those rare end of year occasions when there was little in the way of perpetual hope in global financial markets. Better certainly to receive a present early than none at all - and this was certainly the mood around the world. For example, on the all-important trade talks between China and the United States, the hope factor continued to build, despite some sharp words (and Congressional legislation) between the two countries on issues that are still unfolding in Hong Kong. The rationale for some kind of phase one deal between the two countries remains clear to see... but we have yet to see it, despite comments and suggestions it is imminent from both sides. Given the budding proximity of the 15th December when the postponement of some tariffs roll off, you would expect markets to be not completely benign.

Greater scepticism can be seen in our home market ahead of another mid-December event: the first General Election in the final month of the year for just under one hundred years. Certainly the U.K. market was positive during the month - following the aforementioned global trends - although greater oomph correctly was seen in the eurozone markets. The world’s most frequently cited fund manager survey also saw eurozone allocations by the average global money manager rise close to neutral, whilst the equivalent statistic for the U.K. allocation

still lingered towards the bottom of the underweights (although relatively; energy, materials and industrials allocations were more disliked).

I can understand this scepticism - which similarly has kept the Pound in a relatively narrow trading range during recent weeks. Polling appears at face value to back the Prime Minister’s election gamble, but the scope for tactical voting remains high and a range of scenarios could still be apparent.

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So some excitements await in December, especially towards the middle of the month, before global financial markets - outside of selected markets in Asia including Japan and China - can have their end of year rest. If pushed, my instinct would be that on both upcoming December events, the eventual outcomes will be at least

neutral for broader financial markets. However, the more benign and optimistic global market conditions have built a much higher hurdle. In short, last year the market's Christmas presents were stolen, whilst this year - possibly outside the U.K. market - they have come early. Something to think about as the publication of optimistic strategic thoughts about financial markets in 2020 reaches a crescendo. The January sales and beyond can also contain a few bargains too.

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