



INVESTMENT COMMENTARY - DECEMBER 2018

Major equity markets have moved back into correction territory, with the U.S. taking the brunt of falls as the trade tensions with China continue to rumble on and no early resolution in sight.

Most commentary on the outlook appears to be pessimistic, which perversely we take as actually being a positive signal.

For those who prefer statistics rather than words, Ken Fisher, a renowned U.S. investor and founder of Fisher Investments, quoted these two during a very recent article in USA today:

“Since 1926, U.S. stocks have 34 percent average returns during the 12 months following a 10 to 20 percent correction. That figure excludes dividends, as daily total return data doesn’t extend back that far. Adding back dividends, it would be higher.”

“Since 1926, whenever U.S. stocks returned between -5 percent and 5 percent in a calendar year, the next year’s returns have averaged 24 percent, including dividends.”

The U.S. stock market currently shows both of those characteristics thus far of a 10-20% correction from peak levels and a negative return for the year as a whole.

He also mentioned that next year is Donald Trump’s third year of office in the four year presidential cycle, and that the third year of a president’s term is often the best for stock market returns.

This is generally due to the fact that the incumbent Government do all they can to give people the ‘feel good’ factor ahead of re-election year, whether it be by tax cuts or other measures to boost incomes.

Although these stats relate to the U.S. market its influence on every other market remains powerful and we would expect any rebound there to positively impact other equity markets, including the U.K despite the BREXIT issues.

Regardless of the movements of markets, life continues and we take this opportunity to wish all our readers a Merry Christmas and a Happy (and prosperous !) New Year.



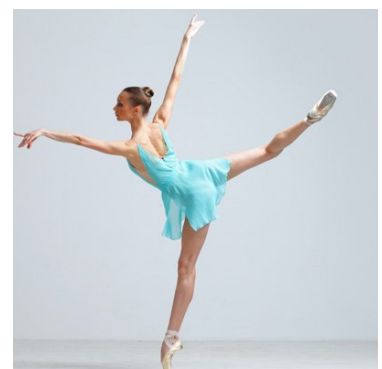
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