



## 2019 Q1 REVIEW: STOCKS SURGE

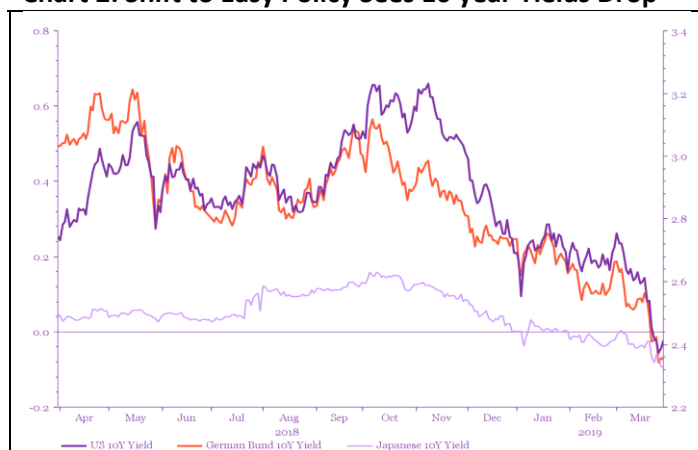
Global equity markets recovered sharply from a dismal end to 2018, outperforming other asset classes and posting their strongest quarterly return since 2010 (see table 1). The rebound in markets came as China introduced further stimulus, the US Federal Reserve (Fed) paused its rate hiking cycle and investors became more optimistic about the prospect of a US-China trade deal. Understandably, US and Chinese equities outperformed the rest of the world over the quarter (chart 1). It was also a strong period for government bonds with yields dropping as central banks elsewhere followed the dovish example set by the Fed (chart 2). We took profits in equities over the quarter after aggressively buying at beaten up prices in Q4. The multi asset funds we manage now have only a modest overweight. We'd like to see signs of economic recovery – or better entry levels – before committing additional capital to the asset class. Please see our [current multi asset positioning](#) blog post for the latest information on our active strategies.

**Chart 1: US and China Lead Q1 Equity Market Rally**



Past performance is not a reliable indicator of future results.  
Source: Thomson Reuters Data Stream 01/04/2019

**Chart 2: Shift to Easy Policy Sees 10 year Yields Drop**



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Source: Thomson Reuters Data Stream 01/04/2019

**Table 1: Sterling-based annual returns from major asset classes 2007-2019 YTD**

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD
1	EM Stocks +37.4%	Gilts +12.8%	EM Stocks +62.5%	EM Stocks +23.6%	Gilts +15.6%	EM Stocks +12.8%	Global Stocks +21.2%	Property +19.5%	Property +13.9%	EM Stocks +35.4%	EM Stocks +21.1%	Property +7.5%	Global Stocks +9.6%
2	Commodities +14.3%	Cash +5.7%	UK Stocks +30.1%	Commodities +20.5%	Property +8.1%	UK Stocks +12.3%	UK Stocks +20.8%	Gilts +13.9%	Global Stocks +4.4%	Commodities +33.3%	Global Stocks +14.0%	Cash +0.6%	UK Stocks +9.4%
3	Global Stocks +11.2%	Multi Asset -10.4%	Global Stocks +20.6%	Global Stocks +17.2%	Multi Asset +1.6%	Global Stocks +12.1%	Property +11.0%	Global Stocks +12.2%	Multi Asset +1.8%	Global Stocks +30.3%	UK Stocks +13.1%	Gilts +0.6%	EM Stocks +7.9%
4	Cash +6.0%	Commodities -10.9%	Multi Asset +12.6%	Property +14.7%	Cash +0.6%	Multi Asset +7.1%	Multi Asset +7.3%	EM Stocks +7.9%	UK Stocks +1.0%	UK Stocks +16.8%	Property +11.2%	Multi Asset -1.2%	Multi Asset +4.1%
5	Multi Asset +5.5%	Global Stocks -18.5%	Commodities +5.9%	UK Stocks +14.5%	UK Stocks -3.5%	Gilts +2.7%	Cash +0.5%	Multi Asset +6.5%	Gilts +0.6%	Multi Asset +12.1%	Multi Asset +6.3%	Global Stocks -3.1%	Commodities +4.0%
6	UK Stocks +5.3%	Property -22.6%	Property +1.9%	Multi Asset +11.7%	Global Stocks -6.9%	Property +2.3%	Gilts -3.9%	UK Stocks +1.2%	Cash +0.5%	Gilts +10.1%	Gilts +1.8%	Commodities -5.7%	Gilts +3.4%
7	Gilts +5.3%	UK Stocks -29.9%	Cash +1.0%	Gilts +7.2%	Commodities -12.7%	Cash +0.6%	EM Stocks -5.3%	Cash +0.5%	EM Stocks -10.3%	Property +2.6%	Cash +0.3%	EM Stocks -7.6%	Property +0.3%
8	Property -5.4%	EM Stocks -34.8%	Gilts -1.2%	Cash +0.6%	EM Stocks -18.4%	Commodities -5.4%	Commodities -11.2%	Commodities -11.8%	Commodities -20.3%	Cash +0.4%	Commodities -7.1%	UK Stocks -9.5%	Cash +0.2%

Past performance is not a reliable indicator of future results. Source: RLAM, DataStream as of March 2019; Property Return as of February 2019. Multi Asset returns are based on the benchmark returns of Royal London Global Multi Asset Portfolio (GMAP) Balanced Fund / Governed Portfolio (GP6).



## MARKETS: STRONG RALLY RETRACES 2018 LOSSES

- Global stock markets rebounded from a dismal 2018, to record their strongest quarterly gains since 2010.
- Core bond yields fell as Central Banks shifted to a more patient, accommodative stance on monetary policy.
- Despite a chaotic period of Brexit uncertainty, sterling strengthened against most of its global peers over the quarter.
- Commodities rebounded after a brutal 2018 Q4. Successfully executed Organization of Petroleum Exporting Countries (OPEC)+ production cuts and apparent progress of the US-China trade talks were key drivers.

FX	1 GBP buys	Q1 (vs GBP)	2018
USD	1.30	-2.2	6.0
EUR	1.16	-4.3	1.2
CHF	1.30	-3.4	5.1
JPY	144.4	-3.2	8.9
AUD	1.84	-1.4	-4.4
CAD	1.74	0.0	-2.2

CB rates	Rate (%)	chg in Q1 (%)	2018 (%)
Fed	2.50	0.00	1.00
BoE	0.75	0.00	0.25
ECB	-0.40	0.00	0.00
BoJ	-0.06	-0.01	0.01

Bond Yield	Yield (%)	chg in Q1 (bps)	chg 2018 (bps)
US 10 Year	2.41	-28	28
UK 10 Year	1.00	-28	9
EU 10 Year	-0.07	-31	-19
JP 10 Year	-0.08	-8	-5

### Multi Asset

	Local Currency		GBP	
	Q1	2018	Q1	2018
UK Stocks	9.4	-9.5	9.4	-9.5
Global ex UK Stocks	12.4	-7.3	9.6	-3.1
Gilts	3.4	0.6	3.4	0.6
UK Cash	0.2	0.6	0.2	0.6
UK Property *	0.3	7.2	0.3	7.2
Commodities	6.3	-11.2	4.0	-5.7

### Equity Regions

	Local Currency		GBP	
	Q1	2018	Q1	2018
UK	9.4	-9.5	9.4	-9.5
North America	13.7	-4.7	11.3	0.8
Europe ex UK	12.5	-10.7	8.0	-9.5
Japan	7.8	-15.3	4.5	-7.6
Pacific ex Japan	9.4	-8.0	7.0	-6.8
Emerging Markets	10.2	-8.8	7.9	-7.6

### Global

#### Equity Sectors

	Local Currency		GBP	
	Q1	2018	Q1	2018
Consumer Discretionary	13.7	-6.9	10.7	-2.3
Industrials	14.3	-12.7	11.4	-8.6
Financials	8.3	-12.6	5.9	-9.9
Consumer Staples	11.6	-7.7	9.0	-4.3
Utilities	9.9	4.4	7.2	8.6
Healthcare	8.4	3.4	5.8	8.6
Energy	13.7	-9.4	11.7	-7.2
Materials	11.1	-12.1	8.7	-10.4
Communication Services	6.1	-7.8	3.4	-4.1
Information Technology	19.2	-5.0	16.2	0.4

### Bonds

	Local Currency		GBP	
	Q1	2018	Q1	2018
Conventional Gilts	3.4	0.6	3.4	0.6
Index Linked Gilts	5.9	-0.3	5.9	-0.3
GBP Credit	4.1	-1.5	4.1	-1.5
Global High Yield	6.8	-2.2	6.3	-3.4

### Commodities

	Local Currency		GBP	
	Q1	2018	Q1	2018
Energy	15.9	-12.7	13.3	-7.3
Agriculture	-3.2	-10.8	-5.4	-5.2
Industrial Metals	12.8	-19.5	10.3	-14.5
Precious Metals	0.0	-4.6	-2.2	1.4

Note: Standard indices sourced from DataStream and Bloomberg; \*Property data as of February 2019.

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