

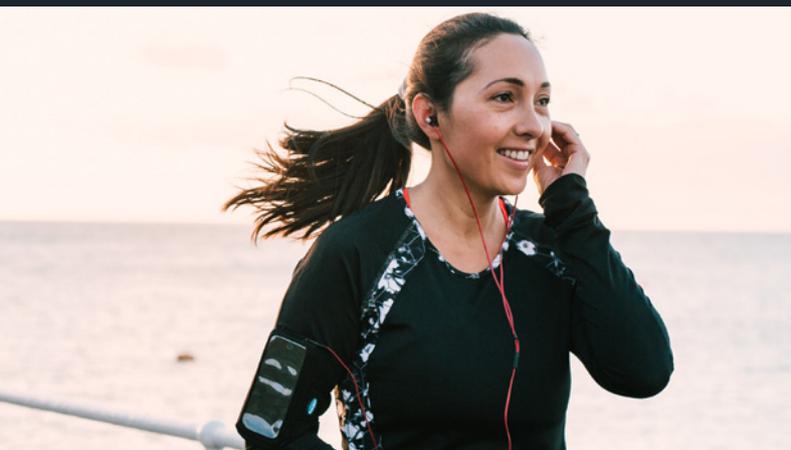
# A month in the markets



Private  
Banking

By John Mullins

January 2020



**John Mullins**

Portfolio Manager,  
Santander Asset  
Management UK Ltd.

## Month of December

### Market Review

December was another encouraging month for markets, resulting in a positive quarter and year for global equity investors. Increased risk appetite was driven by the announcement of a 'phase one' trade deal between the US and China, and the election win for the ruling Conservative Party in the UK.

### US

In the US, equities moved higher and bonds lost value as the round of US tariffs set for 15 December was cancelled as the US and China reached the "phase one" trade deal later that week. The deal, expected to be signed early in 2020, includes a partial tariff rollback in exchange for Chinese purchases of US goods and measures around intellectual property protections. On the macro-economic data front, positive employment figures combined with optimistic signals from the Federal Reserve indicating that they will maintain accommodative policy well into 2020, helped support risk sentiment.

### Europe

European market performance followed more or less in line with global pro-risk sentiment as equities pushed higher. Forward looking economic data from Germany continued to come in better than expected as the global manufacturing recovery continued, albeit slowly. In the UK, the ruling Conservative Party won a landslide victory in December's general election which also marked the worst opposition seat count since 1935. The result reinforces our conviction that the UK will leave the European Union by the end of January 2020. The reduction in political risk led to strong performance in Brexit sensitive assets over the month.

### Asia

Asian equities outperformed other markets in December in line with a more optimistic outlook for global growth. Better than expected economic survey and import data from China helped Asian equities move higher despite ongoing geopolitical tensions.

PLEASE REMEMBER THAT ALL INVESTMENTS CARRY VARYING DEGREES OF RISK TO YOUR MONEY. THE VALUE OF INVESTMENTS AND ANY INCOME FROM THEM CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN THE FULL AMOUNT YOU INVESTED. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS.

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## Positioning

Over the month we kept our broad asset allocation in line with the previous allocations. At a regional level, we reduced Asian equities in favour of European and US exposure as our outlook for developed markets is more positive than for emerging countries due to heightened political risks in Asia.

## Outlook

Our short-term outlook for stock markets has improved as global economic data shows tentative signs of improvement. While we are comfortable taking more cyclical risk as we begin 2020, mainly in Europe, we are closely monitoring medium-term risks. Risk factors on the horizon include; the run up to the 2020 US Presidential Race, US-China trade, geopolitical tensions in the Middle East, and central bank policies.

Given that we are in quite a mature phase of the economic cycle and assets are not cheap, we are aware of the increased likelihood of short-term price moves. Therefore, we will look to tactically reduce risk levels in our portfolios if indicators suggest further periods of heightened volatility are imminent. We also see some potential for return in pockets of the broader stock market and continue to find short-term opportunities across shares, bonds, and currencies. Indeed, big movements in asset prices provide plenty of opportunities for dynamic asset allocation at the more granular sector, region, and thematic level. That being said, it is our view that markets are in the latter stage of the cycle and finding the balance between return generation and downside protection will be the key to success for the rest of 2020.

**Note:** The Portfolio Investments and Atlas Portfolios are Multi-asset, globally diversified portfolios. Although the portfolios may share similar underlying investments in terms of asset and fund selection, they will differ in terms of the way the funds are managed and the proposition in which they are held. Please refer to the Key Investor Information Document (KIID) for details on the objectives of the individual funds. If you have any questions relating to specific differences of the Portfolio Investments or Atlas Portfolios fund ranges, please contact your Private Banker.

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