



CLIENT MARKET COMMENTARY

08 January 2020



GENERAL ELECTION OUTCOME

December's General Election led to a landslide victory for the Conservative party. UK stocks have performed extremely well since the result was announced and the value of Sterling has increased. This is down to the reduction in uncertainty surrounding the outcome of Brexit, with the Prime Minister's Withdrawal Agreement expected to pass through Parliament at the next attempt and for the UK to leave the EU at the end of January 2020. However this is just the beginning of the process, we can expect further uncertainty and market fluctuations throughout the year during the trade negotiations which will take place throughout 2020.

TRUMP IMPEACHMENT

At the time of writing, President Trump has just become the third President of the United States to be impeached and hearings are expected to take place in the US Senate over the coming months. However as Trump's Republican Party currently have a majority in the Senate, a guilty verdict is highly unlikely. US markets have been largely undisturbed by these developments, but we can expect some movement once the hearings commence and markets react.

TRADE WARS

The US and China have finally come to an initial trade agreement. This may only be phase one of the deal, but the US has agreed to either cancel or reduce tariffs on over \$280 billion of Chinese goods, and in return China has committed to a \$200 billion spending spree on everything from airplanes to pork chops from the US. US markets reacted positively to this news as the prospect of an all-out trade war reduced. However the next phase of talks – which will include discussions around intellectual property and access to China for US companies – is expected to be much more protracted and could lead to large fluctuations in Global markets.

OUR VIEW

The market is predicting a low level of growth, but we do believe there are some reasons for positivity. We continue to be supportive of stocks but remain mindful of the potential risks in the current market and we have reduced our overweight position. The main risks still come from Brexit and US-China trade tensions.

INVESTING WITH US

Our key goal is to deliver good outcomes for our customers. We do this by following our core beliefs:

- **Pensions are long term investments**

While it can be hard to watch large market drops, especially if the value of your savings is falling, it's important to remember that investing for retirement is a long term game. It's very normal for an economy to go through phases of expansion and contraction.

In fact, over the long run there is a recession every five to ten years. We think of these cycles in terms of waves of growth and inflation, and consider which investments do best when growth is strong or weak, and when inflation is falling or rising. Our investment experts analyse and understand where we are in that cycle and which types of investments we should be investing in within the portfolio mix. This is called the short term view and we do this on a day to day basis so that we can try to maximise returns and avoid some of the losses.

Falling markets can be buying opportunities, particularly when you are planning to invest for a long time period. We see the current market falls as potential buying opportunities for equities. The multi asset portfolios are currently holding slightly more equities than average, having bought on the recent dips. We're also holding more corporate and high yield bonds.

- **Greater diversification**

We believe that investing in a wide range of asset classes will result in more consistent performance across a wide range of economic conditions. This spread of different investments helps to reduce the risk of having all your eggs in one basket.

The Governed Portfolios are designed for investors who are saving into a pension and aim to maximise returns above inflation within a defined risk framework and term to retirement.

The Governed Retirement Income Portfolios (GRIPs) are designed for customers who are taking money out of their pension on a regular basis and aim to maximise returns above inflation to support sustainable, regular income withdrawals for a range of risk profiles. The portfolios hold a wide range of investments, including company shares, property, bonds, commodities and cash in order to help them meet their objectives.

- **Governance**

We believe that all investment options should be monitored on a regular basis, and this is a core part of what we do for our customers. All the portfolios are monitored on an ongoing basis by our experts to ensure they deliver in line with their objectives. You can keep an eye on how your investments are performing using our online service.

If you are in any doubt about the suitability of any particular type of investment, you should seek professional financial advice. Advisers may charge for providing such advice and should confirm any costs beforehand.

For more information please speak to
your usual Royal London contact



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