

VIEWPOINT

Newsflash

A new month and the 141st issue of Viewpoint from Imperium Capital.

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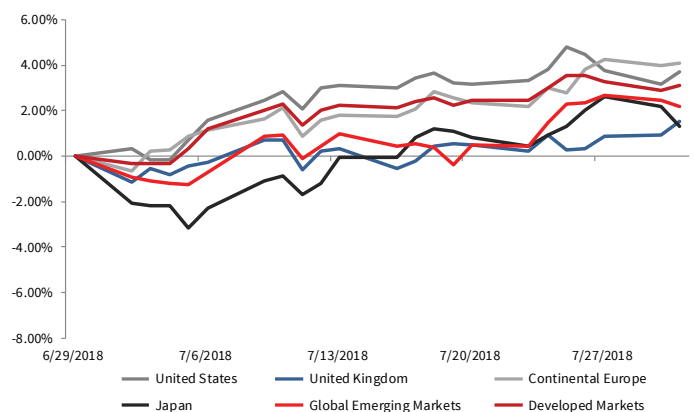
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Market Commentary

After a difficult few months risk assets generally performed well, with most equity and credit markets producing positive returns. The MSCI World advanced 3.1% in July, with Continental European equities producing the strongest returns of 4.1%, closely followed by the US up 3.7%. Emerging markets were up 2.2%, recovering some ground from the losses experienced in June. Developed markets continue to outperform emerging markets; with the flat Asian market returns partly explaining this underperformance by emerging markets.

Figure 1: Major equity markets advanced during the month

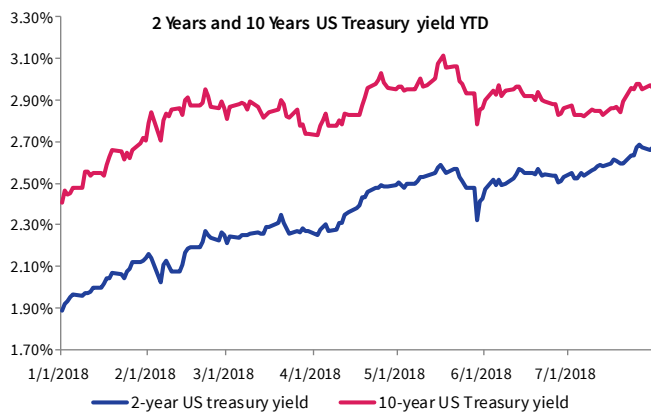


Source: Momentum GIM, Bloomberg

The current risk-on environment has resulted in US Treasuries falling 0.5% in July, and notably falling 1.6% year-to-date. In July, the 2-year US Treasury yield rose 14 basis points to 2.67% and 10-year US Treasury yields rose 10 basis points to 2.96%.

Commodities were the weakest area this month, with oil falling 6.5% in light of the increase in supply from the re-opening of Libyan oil ports and concerns of lower demand following escalating US-China trade tensions. Brent Crude posted its biggest one-day drop in more than two years in July, falling 6.9%. The impact of the US-China trade war and the slow growth in China has knocked sentiment resulting in falling metal prices. Copper was down 4% in the month and has notably fallen 19% from its level in early June. In contrast, soft commodities were strong, led by wheat which was up 12% in July and has risen 30% year-to-date, this follows drought conditions in key growing regions reducing supply.

Figure 2: US Treasury yields continue to rise following the risk-on environment



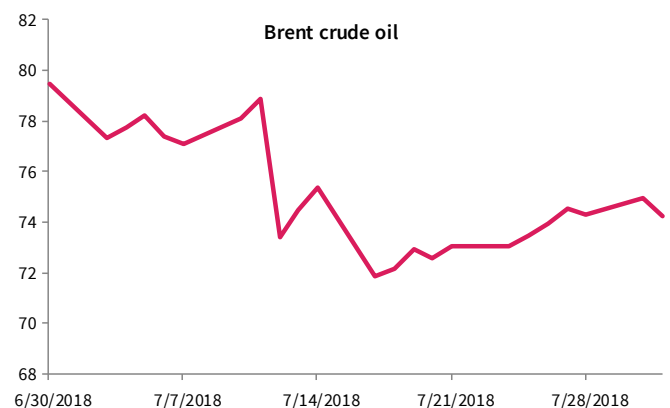
Source: Momentum GIM, Bloomberg

In currencies, moves among the majors were more subdued as the dollar consolidated following its sharp rise since mid-February. Emerging market currencies generally recovered some ground but the most notable move was in the Chinese Renminbi which fell 3% in the month and has taken its fall since mid-April to 8.5%. This is a larger move in the currency than the 6% fall in late 2015/early 2016 which was one of the triggers for the global market correction of Jan/Feb 2016. On this occasion, global equity markets have been less concerned about the depreciation of the Renminbi, although the Chinese equity markets suffered a 23% fall from its January peak to its low in early July. Since then it has recovered modestly.

The global economy remains in good health, with growth picking up after the soft patch in Q1. The US stood out with annualised growth of 4.1% in Q2 while core inflation remained benign at 2%. China's official growth figures remain robust

posting Q2 GDP growth of 6.7%, nevertheless this is the weakest expansion since Q3 2016 and most commentators believe underlying growth to be lower. There is no doubt that China's policy of reining in excessive debt is having a negative impact on the economy. With the escalating trade war with the US dampening confidence and investment, the authorities in China responded by introducing measures to aid growth, with a more proactive fiscal policy and easing liquidity conditions. Together with the sanctioning of a weaker Renminbi and a cut in reserve requirements by the central bank, point to a shift to a less restrictive and more stimulatory policy. Although the authorities also made it clear that an aggressive fiscal stimulus as in 2008/09 will be avoided. One of the biggest risks to global markets is China's balancing act of managing its excessive debt levels while sustaining high growth. Policy mis-steps would be painful well beyond China's borders given the size and importance of its economy.

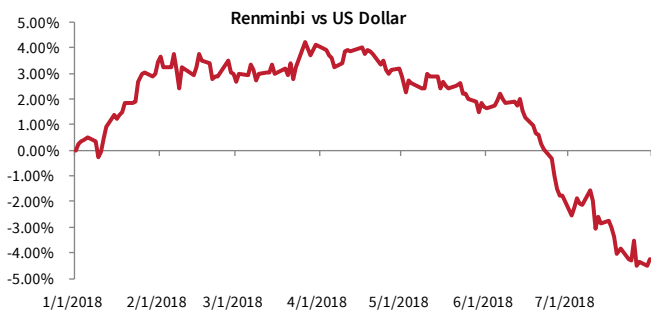
Figure 3: Brent Crude oil fell 6.5% in the month, and suffered its biggest one-day price fall in two years.



Source: Momentum GIM, Bloomberg

The US trade war rumbled on but there was a more positive and conciliatory outcome to discussions between President Trump and Junker, the President of the EU Commission. The statement pointed to a lowering of industrial tariffs, working towards zero tariffs and a resolution of the 25% import tariff on steel and 10% on aluminium which were imposed in March. However, this statement left out the key auto sector. Nevertheless, the signs of compromise were a positive factor for markets, which have become increasingly concerned about the growing number of corporates that are pointing to the impact of trade frictions and tariffs on demand, prices and supply chains.

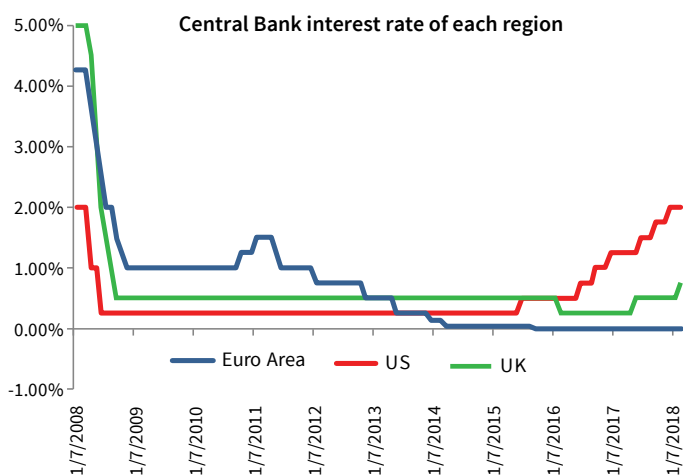
Figure 4: The Chinese Renminbi has fallen 8.5% against the US Dollar since mid-April



Source: Momentum GIM, Bloomberg

Central banks are responding to the good growth by gradually removing some of the post crisis stimulus. The Federal Reserve is leading the way in monetary tightening and has signalled a further two interest rate rises this year. The ECB is on track for ending its quantitative easing asset purchase programme by the end of 2018 while the Bank of England raised the Bank Rate to 0.75% on the 2nd August. The Bank of England decision to hike rates for the second time to the highest level since 2009 was based on the view that the first quarter slowdown in UK growth was temporary. Although, as the UK moves inexorably to leaving the EU in March 2019 this is quite possibly the last interest rate hike for some time.

Figure 5: Shows the changes in interest rates made by the Central Banks in the following regions since the global financial crisis.



Source: Momentum GIM, Bloomberg

In the UK, Prime Minister Theresa May and her cabinet agreed upon a White Paper outlining the common position for her to begin formal negotiations on the UK's future relationship with the European Union, however, this was

followed by a succession of resignations by pro Brexit ministers. Much ground has been conceded to the EU as the UK tries to maintain as close an alignment with the EU on goods as possible without accepting the full rules of the single market. With Prime Minister Theresa May now in full control of the withdrawal negotiations, at least for the time being, much depends on whether the EU will take a less legalistic and more flexible approach to negotiations for a no deal outcome to be avoided. Even though the risk of a no deal has risen, such an outcome is not being fully reflected in markets. Undoubtedly, a no deal would involve a fall in sterling and falls in UK markets. Ultimately, as with all negotiations with the EU, they will go right down to the wire and maybe over it, however, it is in the main interests of both sides to reach a deal as the alternative is too damaging politically. Fortunately, for Prime Minister Theresa May the UK official opposition party, Labour, is in moral and political collapse and is rapidly becoming unelectable. Therefore, the Conservative Party might well struggle on through the full 5 year term, although at that stage it is unlikely Theresa May will remain the party leader. Arguably, it is not surprising that with all the political uncertainty spilling over into confidence that UK asset markets are underperforming; in turn this is creating some attractive valuation opportunities and upside potential if a deal with the EU is ultimately struck.

The Bank of Japan has maintained its stance on ultra-loose monetary policy and introduced forward guidance on policy rates, noting that it intends to maintain the current extremely low interest rates. Although it tinkered with its policy in July it remains committed to maintaining both short and long term interest rates at currently low levels for an extended period of time. The dovish tone of the Bank of Japan remains a strong underpinning to Japan's equity market, which has underperformed this year and is increasingly attractive. The pattern of returns in markets so far this year is likely to continue for some months. Global growth appears sustainable and valuations in equity markets have improved this year as earnings, especially in the US, have been particularly strong. However, most markets are still at valuations which are historically quite high and are subject to setbacks as monetary policy gradually moves away from ultra-loose levels and as tariffs and trade war uncertainties hold back confidence. These two-way pulls most likely leave markets in a trading range. In fixed income, bond markets now offer materially higher yields compared with recent years but face the headwinds of reduced central bank buying in Europe and higher rates in the US. This is an environment to keep duration short and progressively move away from credit into US treasuries, which now offer the highest yields at shorter maturities since the crisis.

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 29 June 2018		
		Local Currency	1 Month	3 Month
Developed markets equities				
United States	S&P 500 NR	USD	3.7%	6.7%
United Kingdom	MSCI UK NR	GBP	1.5%	4.0%
Continental Europe	MSCI Europe ex UK NR	EUR	4.1%	2.6%
Japan	Topix TR	JPY	1.3%	-1.1%*
Asia Pacific (ex Japan)	MSCIAC Asia Pacific ex Japan NR	USD	1.1%	-3.5%
Global	MSCI World NR	USD	3.1%	3.7%
Emerging Market Equities				
Emerging Europe	MSCI EM Europe NR	USD	3.7%	-2.3%
Emerging Asia	MSCI EM Asia NR	USD	0.7%	-5.3%
Emerging Latin America	MSCI EM Latin America NR	USD	9.2%	-9.0%
BRICs	MSCI BRIC NR	USD	1.1%	-5.2%
Global emerging markets	MSCI Emerging Markets NR	USD	2.2%	-5.5%
Bonds				
US Treasuries	JP Morgan United States Government Bond TR	USD	-0.5%	0.5%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	-0.5%	0.3%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	0.8%	0.8%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	1.1%	1.5%
UK Gilts	JP Morgan UK Government Bond TR	GBP	-0.4%	0.8%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	0.1%	0.0%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-0.3%	-0.8%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	0.3%	0.0%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	1.5%	-0.4%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	-0.2%	0.1%
Australian Government	JP Morgan Australia GBI TR	AUD	0.1%	1.5%
Global Government Bonds	JP Morgan Global GBI	USD	-0.5%	-1.8%
Global Bonds	ICE BofAML Global Broad Market	USD	-0.2%	-1.2%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	0.4%	1.0%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	1.9%	-0.8%

Source: Bloomberg | Past performance is not indicative of future returns. | *) denotes estimate

Market Performance - Global (Local returns)

Asset Class/Region	Index	To 31 July 2018		
		Local Currency	1 Month	3 Months
Property				
US Property Securities	MSCI US REIT NR	USD	0.7%	9.0%
Australian Property Securities	S&P/ASX 200 A-REIT TR	AUD	0.9%	4.5%
Asia Property Securities	S&P Asia Property 40 NR	USD	1.0%	-4.4%
Global Property Securities	S&P Global Property TR	USD	0.9%	2.0%
Currencies				
Euro		USD	0.1%	-3.2%
UK Pound Sterling		USD	-0.6%	-4.6%
Japanese Yen		USD	-1.1%	-2.3%
Australian Dollar		USD	0.3%	-1.4%
South African Rand		USD	3.4%	-6.1%
Commodities & Alternatives				
Commodities	RICI TR	USD	-2.0%	-1.9%
Agricultural Commodities	RICI Agriculture TR	USD	2.3%	-3.0%
Oil	Brent Crude Oil	USD	-6.5%	-1.2%
Gold	Gold Spot	USD	-2.3%	-6.9%
Hedge funds	HFRX Global Hedge Fund	USD	-0.1%*	0.0%*
Interest rates				
United States			2.00%	
United Kingdom			0.50%	
Eurozone			0.00%	
Japan			0.10%	
Australia			1.50%	
South Africa			6.50%	

Market Performance - UK (All returns in GBP)

Asset Class/Region	Index	To 31 July 2018		
		Local Currency	1 Month	3 Months
Developed markets equities				
UK - All Cap	MSCI UK NR	GBP	1.5%	4.0%
UK - Large Cap	MSCI UK Large Cap NR	GBP	2.0%	4.4%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	-0.3%	1.5%
UK - Small Cap	MSCI Small Cap NR	GBP	0.3%	3.5%
United States	S&P500NR	USD	4.2%	11.9%
Continental Europe	MSCI Europe ex UK NR	EUR	4.9%	4.0%
Japan	Topix TR	JPY	0.9%	1.2%*
Asia Pacific (ex Japan)	MSCIACAsia Pacificex Japan NR	USD	1.6%	1.2%
Global developed markets	MSCI World NR	GBP	3.6%	8.8%
Global emerging markets	MSCI Emerging Markets NR	GBP	2.7%	-0.9%
Bonds				
Gilts - All	ICE BofAML UK Gilt TR	GBP	-0.3%	0.9%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	0.0%	0.2%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	-0.2%	0.9%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	-0.6%	1.2%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	0.5%	2.1%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	-0.1%	1.1%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	0.7%	2.7%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	0.1%	0.0%
US Treasuries	JP Morgan US Government Bond TR	USD	0.1%	5.4%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	1.3%	5.7%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	1.6%	6.4%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-0.3%	-0.8%
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Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	2.3%	1.0%
Global Government Bonds	JP Morgan Global GBI	GBP	0.0%	3.0%
Global Bonds	ICE BofAML Global Broad Market	GBP	-0.2%	-1.2%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	0.4%	1.0%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	2.4%	4.0%



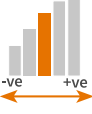
Source: Bloomberg | Past performance is not indicative of future returns. | * denotes estimate

Market Performance - UK (All returns in GBP)

Asset Class/Region	Index	To 31 July 2018		
		Local Currency	1 Month	3 Months
Property				
Global Property Securities	S&P Global Property TR	GBP	1.4%	7.0%
Currencies				
Euro		GBP	0.7%	1.5%
US Dollar		GBP	0.6%	4.9%
Japanese Yen		GBP	-0.4%	2.5%
Commodities & Alternatives				
Commodities	RICI TR	GBP	-1.5%	2.9%
Agricultural Commodities	RICI Agriculture TR	GBP	2.9%	1.7%
Oil	Brent Crude Oil	GBP	-6.1%	3.6%
Gold	Gold Spot	GBP	-1.8%	-2.4%
Interest rates				
United Kingdom			0.50%	
United States			2.00%	
Eurozone			0.00%	
Japan			0.10%	

Asset Allocation Dashboard

Asset class	View
Equities	
Developed Equities 	<ul style="list-style-type: none"> » We retain a neutral allocation to global equities today. Valuations vary across regions and sectors and whilst in aggregate they are not cheap, they do offer the prospect of reasonable returns, both in absolute terms and relative to other classes. Low bond yields can support this for now, although we recognise the direction is upward from here » Monetary policy and cross border politics will remain key drivers of risk appetite and global equity returns + The global macro backdrop remains favourable for global equities + Equities are better placed than most asset classes to perform in a moderately pro inflationary environment - Valuations remain selectively expensive at current levels - Continued talk around and implementation of trade tariffs is not constructive for global equities
UK Equities (relative to developed) 	<ul style="list-style-type: none"> » UK equities look somewhat cheap today but caution is warranted given UK's evolving Brexit negotiations and political jockeying. While the larger cap market constituents are more globally focused than they are UK, and have earnings shielded in large part from FX swings, the more domestically oriented names may face bigger challenges, not least with traditional high street retailers remaining under pressure » The UK market remains sensitive to commodity prices + The UK market remains exposed to global markets and factors and as such is somewhat insulated from the headline Brexit concerns, benefiting from any associated Sterling weakness of which we have seen a lot in recent months - Today the chief worries lie with the ongoing Brexit negotiations, and with no deal yet on the table this will only become more of an issue - The recent rate hike may yet prove to be premature and a headwind to growth
European Equities (relative to developed) 	<ul style="list-style-type: none"> » European equity valuations remain favourable when viewed against corporate and sovereign European bond markets. From a more cyclical point of view Europe continues to recover from its post crisis lows and lags other parts of the world. The string of weaker than expected data has somewhat reversed and European equities could continue to perform well if this continues » Investors should be mindful of the ECB ending its QE program but indications today are that this will not happen until mid/late 2019 + European earnings have scope to recover meaningfully from their lows, and the recent currency weakness provides a tailwind to European exporters - European assets, including equities, may come under pressure should the ECB's bond programme reduction accelerate, or the Euro strengthens again after recent weakness - Episodic risk off events, such as the ongoing repricing in the Italian bond market, should be expected
US Equities (relative to developed) 	<ul style="list-style-type: none"> » The US remains the most expensive of the major developed markets, even when adjusted for the strong tech sector performance. However, the US economy remains in good health and arguably warrants a premium valuation as corporates post bumper earnings growth, with Q2 reporting nearly complete. In spite of this the longer term valuation headwind means we score less highly than ex US bourses » Monetary policy remains crucial to keeping markets in check and volatility under control. To date the Fed has managed this well but there remains an outside risk of higher inflation leaving the Fed little alternative to raising rates more quickly than rates markets are pricing + The economy is remains in rude health with leading indicators remaining firmly positive + Financial conditions remain relatively loose, which coupled with the current fiscal stance can help propel economic growth further - Valuations remain somewhat extended and rising yields may prove an obstacle to further index gains from current levels
Japan Equities (relative to developed) 	<ul style="list-style-type: none"> » Japanese equities remain reasonably attractive and we acknowledge the government's policies to improve working practices and governance. Q2 earnings have been reasonably strong with ~11% earnings growth recorded. The direction of the Yen is an important driver of returns and further Yen weakness would support Japanese equities » Japanese assets should remain well buoyed by BoJ policy which remains aggressive when compared to the other main DM central banks. + Yen weakness will likely boost equities further if the Fed moves in line with their stated intentions and the BoJ maintains their yield curve policy, albeit now within a wider 20bps range around zero - In a protracted risk off scenario Yen strength would hit Japanese equities, as seen earlier this year
Emerging Market Equities 	<ul style="list-style-type: none"> » EM assets have remained under pressure in recent weeks as a buoyant Dollar, high oil price and heated trade war rhetoric weigh on markets. We continue to favour EM assets more generally over DM as the longer term relative growth dynamics look favourable, which coupled with low inflation and accommodative policy should support EM equities. This shorter term volatility if anything provides a buying opportunity but some caution is warranted as further bouts of volatility are inevitable + EM currencies have continued to weaken and this provides additional support over the longer term to what already look somewhat cheap currencies in aggregate - Emerging markets remain prone to bouts of volatility and flow reversal at times of heightened perceived risk - Recent Dollar strength bears witness to this. A sustained reversal will see EM assets remain under pressure

Fixed Income	
<p>Government</p> 	<ul style="list-style-type: none"> » On a medium term outlook DM government bonds remain largely unattractive today with poor real return prospects in aggregate. US treasuries are the exception though and offer improved value today as yields oscillate around the 3% level. Conversely other markets, such as Italy, are a source of price volatility + Quality government bonds remain one of the best diversifiers in a multi asset portfolio - 2018 is likely to mark the year that net central bank bond purchases turns negative. That may prove to be headwind for all rate sensitive debt
<p>Index-linked (relative to government)</p> 	<ul style="list-style-type: none"> » Index linked bonds offer some selective value today but, like their nominal counterparts, they are expensive today with US breakevens looking somewhat full » UK linkers remain one of the more expensive DM markets + Index linked bonds are one of the few ways to meaningfully protect against inflation risk - Inflationary forces are at best nascent today and on any renewed concerns over global growth they would almost certainly underperform nominal bonds
<p>Investment Grade Corporate (relative to government)</p> 	<ul style="list-style-type: none"> » Investment grade bonds provide some diversification benefit in a multi asset portfolio but valuations remain somewhat tight today. Marginally preferred to sovereigns today » Fundamentals remain reasonable but we would advocate owning more shorter dated credit at today's levels as rate sensitivity remains near highs + A reasonable alternative to owning sovereign bonds with diversifying qualities and some spread - With central bank buying slowing the risks are asymmetric - Credit quality has drifted lower in recent years, and leverage has moved higher
<p>High Yield</p> 	<ul style="list-style-type: none"> » Spreads remain quite tight in leveraged credit markets, and whilst fundamentals remain robust, all in valuations are somewhat expensive » We favour owning shorter duration credit where the risk return looks more favourable today + In the absence of a systemic market shock high yield returns will likely trump most of other fixed income - Issuance terms are increasingly favouring the issuer, and valuations look somewhat expensive
<p>Emerging Market Debt</p> 	<ul style="list-style-type: none"> » Emerging market bonds have been under pressure due to a surging dollar and trade war rhetoric. However, the asset class has somewhat stabilised in recent weeks and with yields above 6% the asset class is attractive. The barrier to upgrading our view is that spreads remain at best fair and idiosyncratic stories, such as Turkey, cause some concern » It remains a preferred credit allocation for us and we continue to prefer hard currency to local exposure at this time + EM bonds continue to offer some of the best long term real return opportunities in core bond markets today - Continued Dollar strength will on EM assets, with local bonds and FX likely bearing the brunt
<p>Convertible Bonds</p> 	<ul style="list-style-type: none"> » Convertible bonds are somewhat rich to their constituent parts today. Whilst this is driven by loftier US valuations we favour an allocation to this asset class in a multi asset portfolio for the convexity it brings, which remains valuable at a time of elevated valuations, as we are today » Some caution is warranted given the concentration to the US market and technology names + The natural convexity provided by convertibles should continue to provide reasonable protection against any protracted equity correction - The call optionality embedded into convertibles only really has any value if markets move higher, and the US, the largest constituent is well valued today - If volatility reverts again to the recent multi year lows then the optionality holds limited value

Alternatives	
<p>Commodities</p> 	<ul style="list-style-type: none"> » Commodity prices are primarily supply and demand driven, and idiosyncratic factors can be as important as the global economic cycle. Prices are likely to be affected by the increasing number of trade tariffs being imposed by the US and their trade partners (Europe and China in particular) in retaliation. This dynamic remains in flux and is likely to cause some volatility » Crude prices continue to soften from their early July highs + With the US Dollar still near cyclical highs, and growth reasonably strong globally, commodities have scope to generate positive returns + Gold remains a good hedge against risk off outcomes - Should the Dollar's decline come to a halt or reverse, commodities would likely come under pressure. However, recent dollar strength has been accompanied by a rising commodity index. The negative relationship is likely to reassert at some point - Trade tensions may continue to weigh on the commodities sector which is particularly exposed to a slowdown in global growth, an China in particular
<p>Property (UK)</p> 	<ul style="list-style-type: none"> » Property remains an attractive asset class for investors requiring yield » Total returns will come mostly from income with limited scope for capital growth with global REIT stocks at somewhat elevated valuations after recovering from recent selling pressure » When viewed against high quality, longer duration Sterling assets and inflation linked bonds, UK property holds some appeal, with industrial and office space remaining more attractive than the under pressure retail sector + Attractive yields should continue to attract capital and provide some floor to prices, as will any sustained Sterling weakness - As a long duration asset class property remains susceptible to any repricing in long term bond yields - UK property remains sensitive to eventual Brexit terms, which continues to evolve slowly
<p>Infrastructure</p> 	<ul style="list-style-type: none"> » Infrastructure stocks trade at reasonable valuations today - broadly in line with global equities today » Their income generating potential should continue to support the sector and attract buyers of quality infrastructure assets + In a multi asset portfolio the relatively defensive nature of the asset class and a degree of inflation protection make the asset class appealing + The asset class offers a healthy yield at a reasonable valuation today - As a long duration asset class infrastructure remains susceptible to any repricing in long term bond yields - Regulation can work both for and against the underlying investments
<p>Liquid Alternatives</p> 	<ul style="list-style-type: none"> » We define this section as less/non-directional, absolute return type strategies that seek to capture long term risk premia or market mispricings, and includes hedge fund alternatives in predominantly UCITS vehicles » We favour an allocation to a basket of liquid strategies today to provide additional diversification as high quality bonds remain expensive + These strategies provide additional diversification with reasonable return potential - The sector is relatively young and growing. It remains somewhat untested through a protracted risk off period so thorough due diligence is vital, and blend is recommended - The hurdle for performance is higher given the more attractive level of treasury yields today
Currencies	
<p>GBP</p> 	<ul style="list-style-type: none"> » Sterling continues to lose ground as expectations over the higher path of policy rates has receded and Brexit uncertainty and cabinet level political risk remains high » In real terms the currency remains at the lower end of valuations and has room to appreciate over the medium to long term, but politics and rate policy is likely to dominate its nearer term path, and remains a source of volatility. The recent BoE rate hike did little to support the currency. There remains no imminent catalyst for uplift
<p>Euro</p> 	<ul style="list-style-type: none"> » The Euro has steadied in recent weeks with the common currency trading in a range and seemingly floored around current levels. Whilst any change in explicit rate policy has now been pushed towards the latter half of 2019, the reducing quantum of bonds the ECB is purchasing may increase rates volatility » In real terms the common currency looks about fair value today but with long market positioning having been scaled back in recent weeks, and sharply rebounding economic surprise, we remain neutral today
<p>Yen</p> 	<ul style="list-style-type: none"> » Rate differentials continue to offer little reason to buy the Yen despite the Bank of Japan widening their yield curve policy band. This means short rates will offer no real value for some time. However, in real terms the Yen remains cheap today and recent weakening accentuates this » What sets the Yen apart from Sterling and the Euro is the currency's diversifying qualities at times of risk. We remain neutral today but further weakness from the currency or gains in global equities will likely see the currency re rate higher

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