



Global

Economics

Early Morning Reid

Date

2 January 2020

December, Q4, 2019 and 2010s Performance Review

Welcome to a bumper edition of the EMR performance review, where we not only present our monthly, quarterly and annual analysis of different financial assets, but also take a look at the entire decade.

2019 was a great year across different asset classes, as a number of downside risks that investors had feared would materialise were in fact avoided. In the end, 2019 didn't see a recession in the US or Europe, despite previous fears of a slowdown and an inversion in the US 2s10s yield curve. A phase-one trade deal between the US and China was agreed, and a no-deal Brexit didn't happen either. Indeed, for the first time since 2007, when we started this dataset, all 38 non-currency assets are up on an annual basis in local currency terms. This figure represents a stark contrast to 2018, when 31/38 actually had a negative performance.

As you might expect, equities saw the biggest gains over the year, with the Greek Athex (+52.5%) seeing the strongest local currency performance, and Russia's Micex (+54.4% in USD terms) seeing the strongest USD performance. This is very much the story of the decade too, where the top 7 performers in local currency terms are all equity indices. US equities led the way with the NASDAQ and the S&P 500 up +346.9% and +256.4%, respectively, with Russia's Micex (+250.3%) and the Nikkei (+171.3%) behind them. However, in spite of it leading the way in 2019, Greece's Athex is still the worst performer of all our different assets over the 2010s, down -49.4% in local currency terms, reflecting the legacy of the country's debt crisis and severe economic contraction at the start of the decade.

Sovereign bonds also saw positive returns over the year and the decade, with the 2010s posting strong performances in local currency terms for gilts (+73.1%), BTPs (+62.0%) and bunds (+42.6%). Indeed, looking over the entire decade, one could wonder what the fuss has been about with regards to Italian debt. However, over the last quarter it's been a very different picture, with government bonds being the 6 worst-performing assets in local currency terms, with gilts (-4.2%) leading the declines. Elsewhere in fixed income, USD credit led the way in 2019, outperforming EUR and GBP credit in both HY and IG. All our corporate bond indices had a positive return over 2019 and a strong return over the 2010s.

On the UK, the strongest currency pair in our rankings over Q4 2019 was GBP/USD, with sterling ending the quarter +7.9% against the dollar. Much of sterling's gains came after Prime Minister Johnson and the EU agreed a new deal in October, and the gains in GBP/USD over the last 3 months mark the strongest quarterly performance since Q2 2009. Looking at EUR/USD, however, it's the weakest

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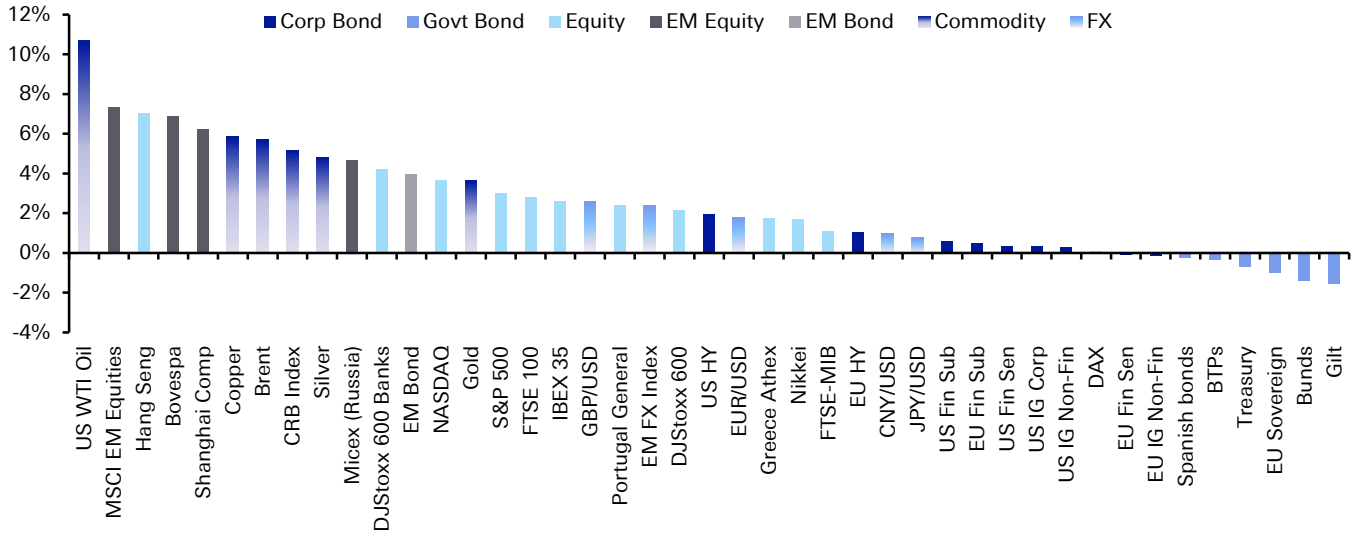
performer over the last year, down -2.2%, and also the weakest currency performer in our set over the last decade, down -21.7%.

Finally, looking at the month of December, commodities led the way, with WTI Oil and Brent up +10.7% and +5.7%, respectively, while copper (+5.9%), gold (+3.6%) and silver (+4.8%) also advanced. However, over the longer time span of the 2010s, commodities were rather subdued, with both Brent and WTI down, -15.3% and -23.1%, respectively. Meanwhile, copper closed down -16.4%, though gold did manage to achieve a stronger +38.3% gain.

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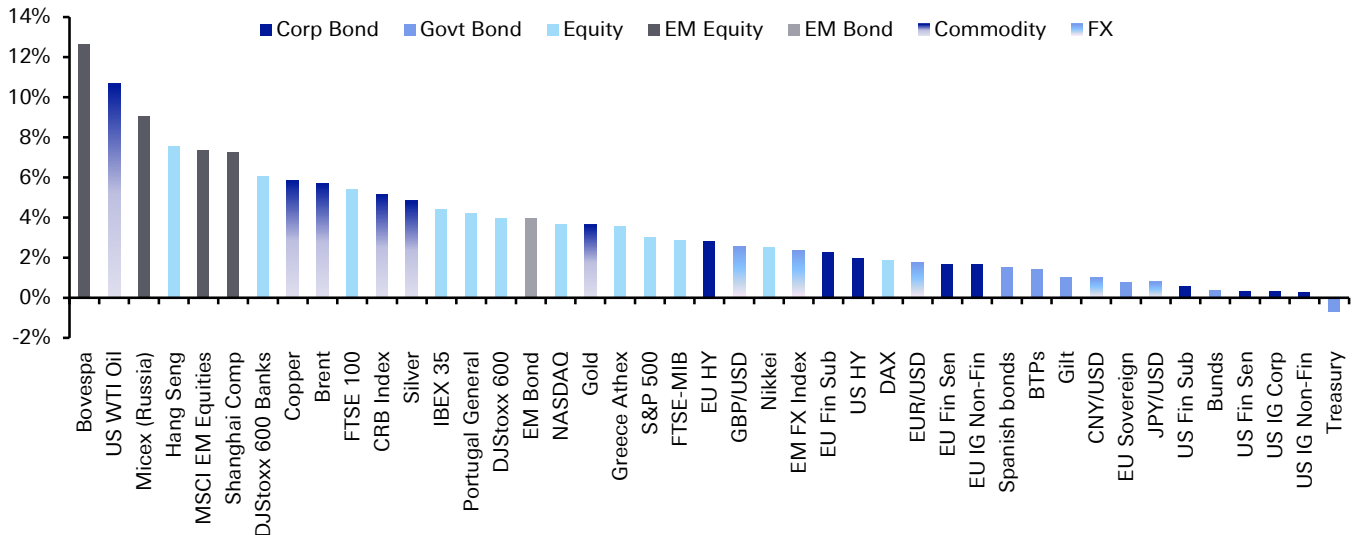


Figure 1: Total Return Performance of Major Global Financial Assets in December (in Local Currency)



Source : Deutsche Bank, Bloomberg Finance LP, Mark-It

Figure 2: Total Return Performance of Major Global Financial Assets in December (in USD)

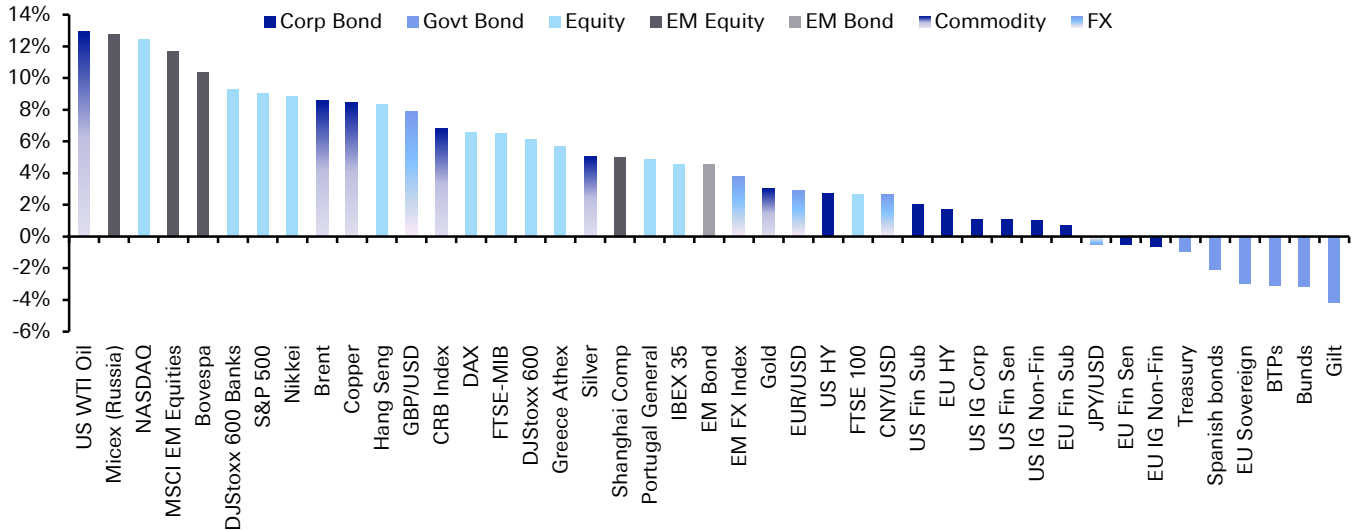


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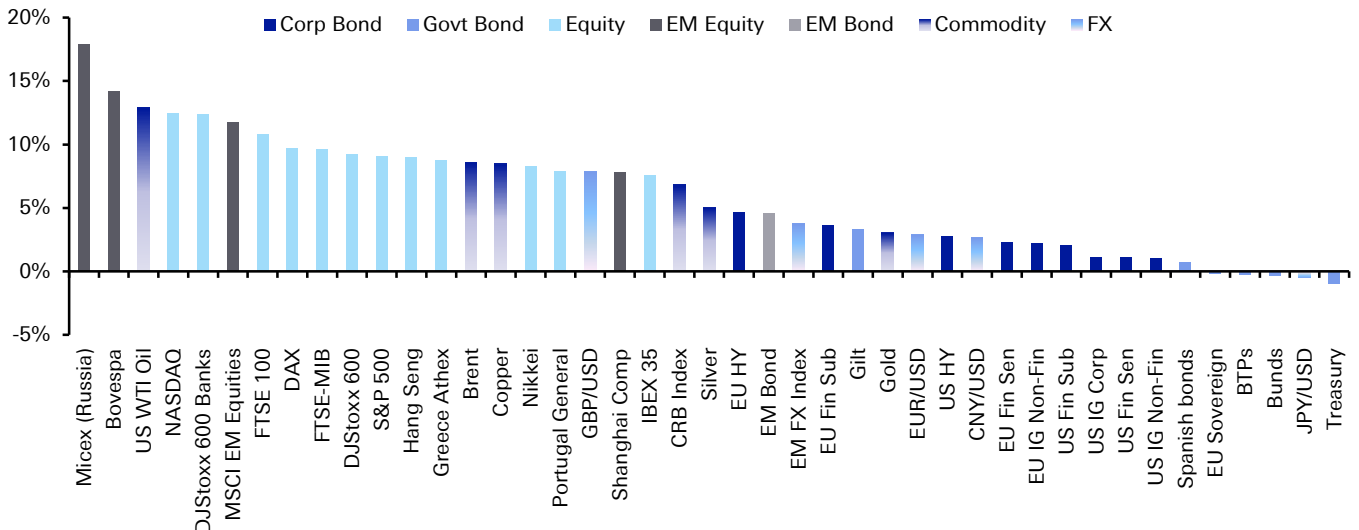


Figure 3: Total Return Performance of Major Global Financial Assets in Q4 (in Local Currency)



Source : Deutsche Bank, Bloomberg Finance LP, Mark-It

Figure 4: Total Return Performance of Major Global Financial Assets in Q4 (in USD)

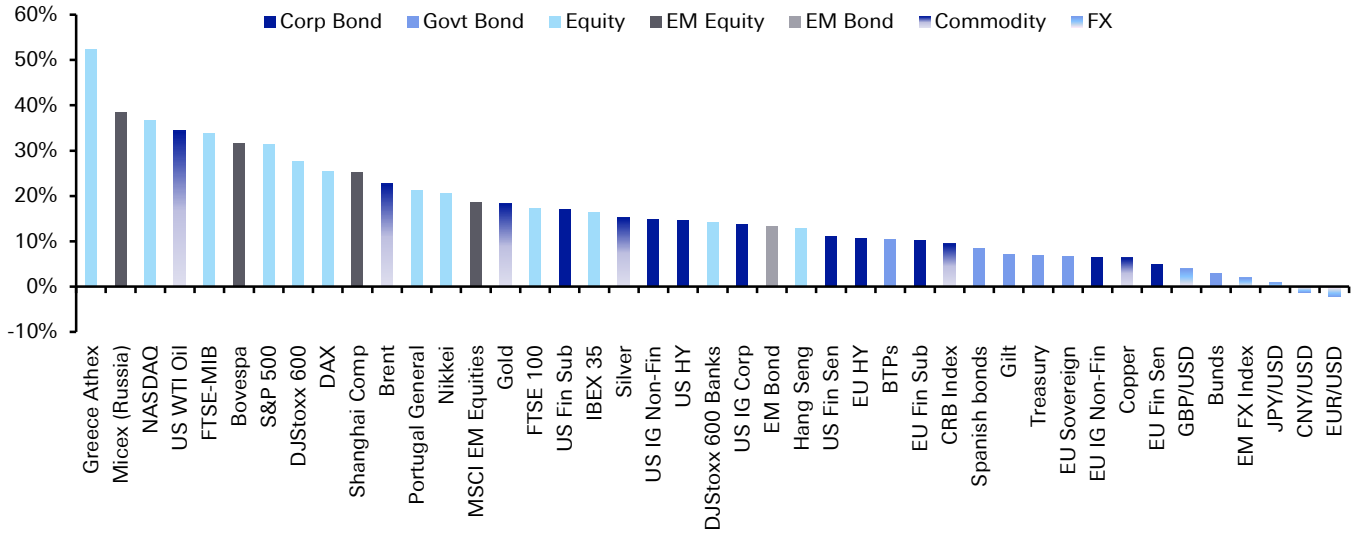


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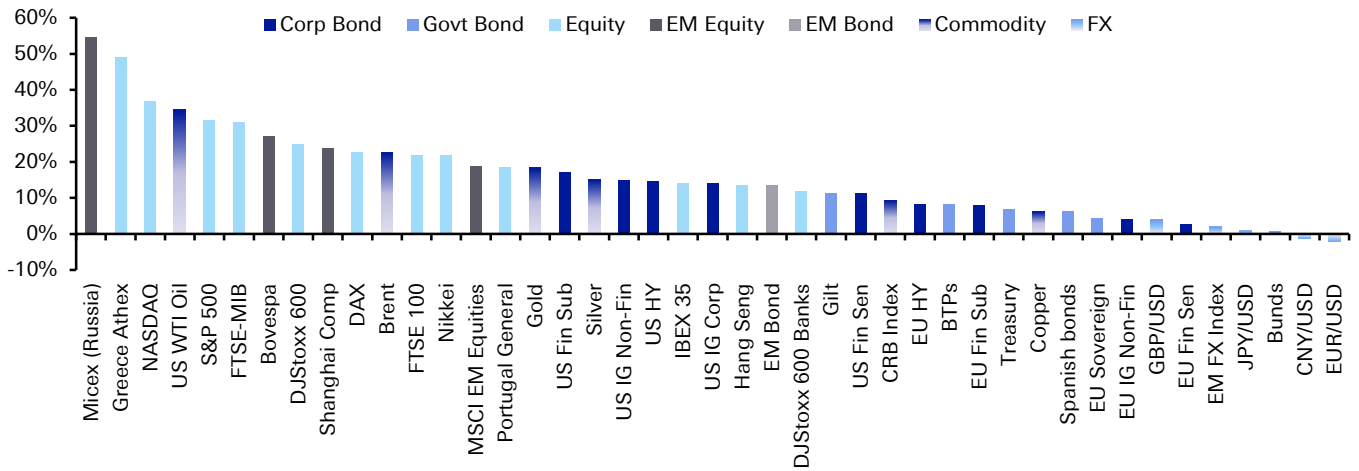


Figure 5: Total Return Performance of Major Global Financial Assets 2019 (in Local Currency)



Source : Deutsche Bank, Bloomberg Finance LP, Mark-It

Figure 6: Total Return Performance of Major Global Financial Assets 2019 (in USD)

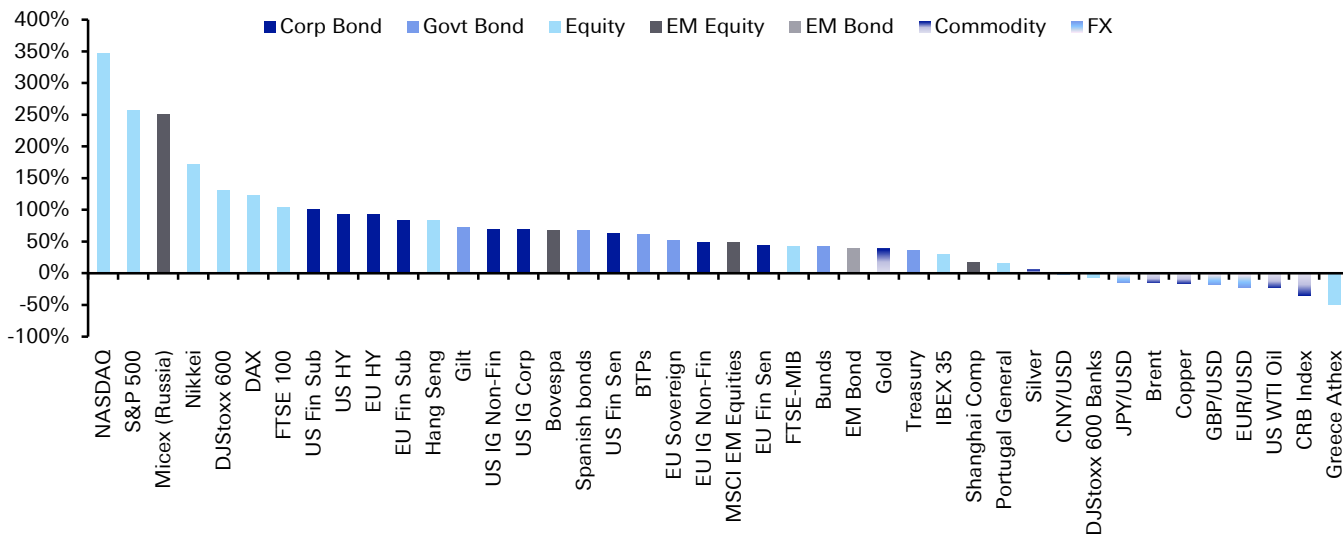


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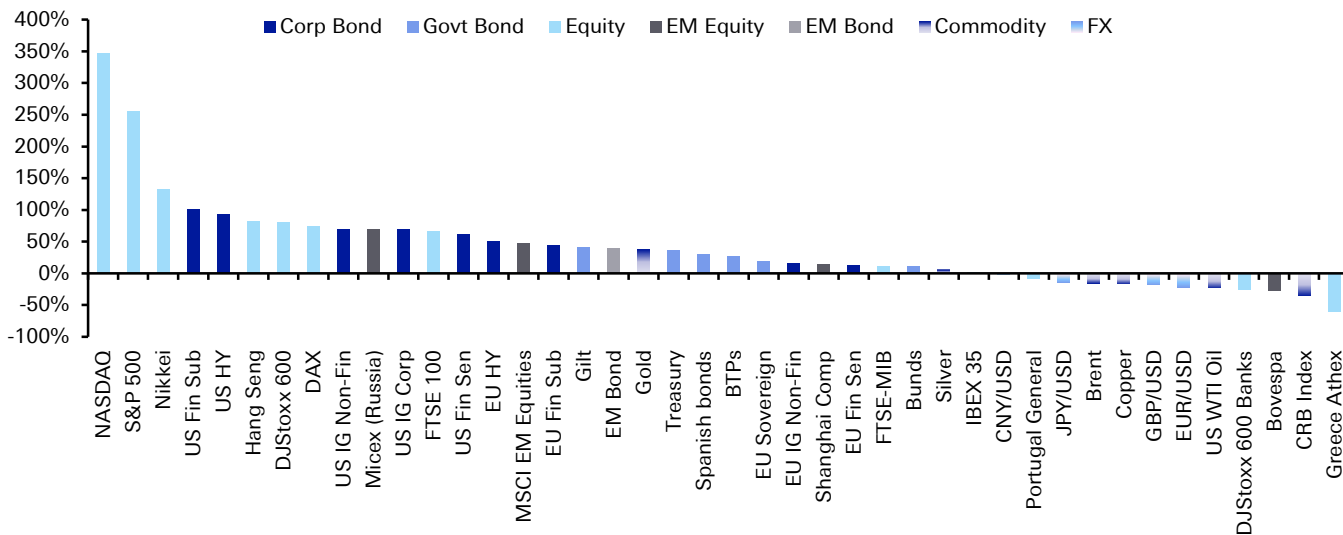


Figure 7: Total Return Performance of Major Global Financial Assets 2010s (in Local Currency)



Source : Deutsche Bank, Bloomberg Finance LP, Mark-It

Figure 8: Total Return Performance of Major Global Financial Assets 2010s (in USD)



Source : Deutsche Bank, Bloomberg Finance LP, Mark-It

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Appendix 1

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