CPIC

Management Report
4th Quarter 2019

In contrast to the previous year, when a sharp fall on the stock markets dampened the festive spirit, prices climbed to new highs in the fourth quarter of 2019. The global equities index rose by a further 7.1% in local currency, thus attaining an annual performance of 28.1%. In addition, the global government bond indices posted a substantial increase of 6.1% for the year in local currency despite sustaining a slight loss of 1.8% in the fourth quarter.

The trade dispute between the United States and China de-escalated with the prospective so-called phase-1 deal. This calmed the mood, even though there is to be no significant reduction of existing tariffs. Furthermore, UK Prime Minister Boris Johnson won a comfortable majority in the parliamentary election, which is likely to reduce the uncertainty surrounding the impending Brexit.

The relaxed monetary policy of the big central banks was a key factor in the positive general sentiment. The US Federal Reserve cut benchmark rates several times in 2019 and started flooding financial markets again.

Low-risk government bonds were among the decliners in the fourth quarter. Better economic data and decreasing political risks depressed prices. Although yields increased, they remained at low levels: less than 2% for ten-year US government bonds and -0.2% (compared with -0.6% at the end of the third quarter) for ten-year German government bonds. The price of the latter fell relatively sharply, which was a surprise given their historically low risk. Investments in US corporate bonds proved particularly rewarding. The lower the credit rating, i.e. the riskier the issues, the higher the yield was at the end of the quarter.

The currency market stirred back to life in the fourth quarter after a sideways trend that had lasted several months. The pound sterling strengthened from the moment opinion polls predicted a clear victory for Boris Johnson in the UK parliamentary election. By contrast, the US dollar was generally weak due to the increasing relaxation of US monetary policy. Even the Japanese yen, regarded as a “safe haven”, suffered a bit.

Since the beginning of 2019:

the value of the A share increased by **14,68%** from EUR 216.47 to EUR 248.24,

the value of the B share increased by **1,58%** from EUR 157 to EUR 159.48,

the value of the C share increased by **8,73%** from CHF 114.45 to CHF 124.44.

This report was prepared by René Exenberger, Vontobel Asset Management, Zurich