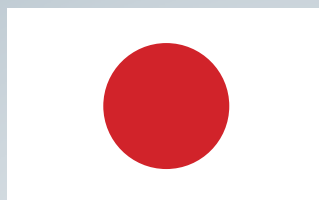


## Global economy stabilising but recovery not yet assured



### Highlights:

#### US

##### Fed on hold

13 of 17 participants at the December Federal Open Market Committee meeting expected current official rates to remain appropriate throughout 2020. The central bank injected liquidity via Treasury bill purchases and repos to ensure stable year-end money markets.

#### China

##### Mixed signals

Official economic data remained weak but the Markit purchasing managers' composite output index rose to a 21-month high in November, lifting recovery hopes. A reported "Phase One" trade deal with the US leaves the bulk of US tariffs in place.

#### Japan

##### Sales tax hangover

Retail sales plunged 6.8% in October / November from Q3, reflecting payback for front-loading ahead of the October tax hike. Consumer price inflation was little changed, with the tax boost partly offset by the introduction of free early-years education.

#### Eurozone

##### Changing LaGarde

Incoming ECB President Christine Lagarde announced a strategic review of monetary policy in 2020. The purchasing managers' composite output index moved sideways during Q4 while annual core consumer price inflation edged up to 1.3% in November, a 7-month high.

#### UK

##### Split MPC

Two doves broke cover to vote for a quarter-point rate cut in November and December, citing rising spare capacity, low inflation and emerging labour market weakness. The Conservative election victory resolved domestic political uncertainty but guarantees a "hard" Brexit.

#### Emerging markets

##### Rate relief

Emerging market central banks eased further in Q4 despite US official rates remaining on hold. China and Korea joined the rate-cutting while further reductions were delivered in Brazil, India, Russia, Mexico, Turkey, Indonesia, Thailand, Chile and Peru.

### Trends to watch:

#### US

##### Monetary pick-up

US money growth rebounded after August 2019, suggesting economic reacceleration from Q2 2020 after a weak start to the year. Continued monetary strength in early 2020 would argue against further Fed rate cuts and could raise medium-term inflation fears.

#### China

##### Credit constraint

Policy stimulus has been offset by a tightening of credit conditions since Q2 2019 as bank funding costs rose following the failure of several regional institutions. A reversal of this tightening is needed to boost money growth and economic prospects.

#### Japan

##### BoJ bond-buying

The Bank of Japan halved its bond purchases in 2019 even as the Fed and ECB restarted balance sheet expansion. Fiscal easing and an inflation uptick could force the BoJ to step up buying to prevent upward pressure on bond yields.

#### Eurozone

##### German recovery

Germany industry underperformed the rest of the Eurozone in 2019, reflecting auto sector woes and a large drawdown in inventories. Stabilising auto sales and a reversal of the inventory drag could trigger a German catch-up in H1 2020.

#### UK

##### Fiscal easing

Chancellor Javid raised current spending plans by 0.5% of GDP in the autumn and is expected to announce an investment boost in the 11 March Budget. The commitment to avoid running a current budget deficit will constrain largesse, however.

#### Emerging markets

##### Indian credit woes

A shadow banking crisis resulted in the flow of finance to Indian businesses and households plunging 88% in the first half of fiscal 2020 from a year before. The worst is probably over but will recent policy easing spark a recovery?

## Key market data

Equity market returns for Q4 2019 (%)	Qtr local currency	YTD local currency	Qtr Sterling	YTD Sterling	Qtr Dollar	YTD Dollar
US S&P 500	8.53	28.88	0.96	23.90	8.53	28.88
Japan: Topix	8.41	15.21	0.34	11.88	7.83	16.30
Euro area: Euro Stoxx	5.14	22.97	0.70	16.09	8.25	20.76
FTSE All-Share	3.32	14.19	3.32	14.19	11.07	18.77
MSCI Far East ex Japan (US\$)	-	-	4.34	11.98	12.17	16.48
MSCI Emerging Markets (US\$)	-	-	3.58	10.96	11.36	15.42

Source: Refinitiv Datastream, Janus Henderson Investors, index price returns, as at 31 December 2019.

### Constituents:

Euro area: EU member states using euro currency (currently 19)

Asia: China, Hong Kong, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam

BRICs: Brazil, Russia, India, China

World: G10, Eastern Europe & Africa, Asia, Latin America, Middle East

Consensus GDP growth forecasts (%)	2019	2020	2021
US	2.3	1.8	1.8
Japan	0.9	0.4	0.8
Eurozone	1.2	1.0	1.2
UK	1.3	1.0	1.5
Asia ex Japan	5.3	5.2	5.3
BRICs	5.1	5.1	5.2
World	3.0	3.1	3.2

Source: Bloomberg, economic forecasts, as at 8 January 2020. Forecast GDP = real gross domestic product.

Bonds (%)	31 Dec 2019 yield	Qtr return	YTD return
US 10-year Treasury	1.92	-2.32	7.13
Japan 10-year government bonds	-0.02	-1.86	0.53
Germany 10-year Bund	-0.19	-3.77	4.82
UK 10-year Gilts	0.83	-3.25	3.85
Corporate bonds: (Barclays Global Aggregate Corporate Index \$)	-	-0.21	7.70
High Yield: (Merrill Lynch Global High Yield \$)	-	3.41	13.73
Emerging market debt (JPM Global Emerging Markets Debt \$)	-	2.09	14.42

Source: Refinitiv Datastream, Janus Henderson Investors, as at 31 December 2019.

The above data is intended for illustration purposes only and is not indicative of the historical or future performance or the chances of success of any particular strategy. References made to individual securities should not constitute or form part of any offer or solicitation to issue, sell, subscribe or purchase the security.

	Forecast P/E		Forecast EPS growth (%)	
	2019	2020	2019	2020
World	18.1	16.5	0.1	9.8
Developed	18.7	17.1	-0.1	8.9
Emerging markets	14.7	12.8	1.0	15.0
UK	14.1	13.2	-3.8	6.8
US	20.6	18.8	1.1	9.4
Eurozone	16.0	14.5	-1.3	10.2
Japan	14.6	15.7	-4.8	-6.5

Source: Refinitiv Datastream, Janus Henderson Investors, and IBES (Institutional Brokers' Estimates System). Estimates for MSCI Indices as at 31 December 2019. Forecast EPS (earnings per share), Forecast P/E (price-to-earnings ratio).

Consensus inflation forecasts (CPI %)	2019	2020	2021
US	1.8	2.1	2.0
Japan	0.6	0.8	0.7
Eurozone	1.2	1.3	1.4
UK	1.8	1.8	2.0
Asia ex Japan	2.6	2.9	2.4
BRICs	3.1	3.3	2.7
World	3.0	3.1	2.7

Source: Bloomberg, economic forecasts, as at 8 January 2020. Forecast CPI = consumer price index.

Currencies and commodities	31 Dec 2019	Qtr change (%)	YTD change (%)
Yen/\$	108.68	0.56	-0.95
Yen/£	143.97	8.10	3.03
\$/£	1.32	7.50	4.02
Euro/\$	0.89	-2.88	1.84
Euro/£	1.18	4.41	5.93
S&P GSCI Total Return Index \$	2591.86	8.31	17.63
Brent oil (\$/barrel)	66.31	8.90	24.81
Gold bullion (\$/Troy oz)	1520.50	3.17	18.66

Source: Refinitiv Datastream, Janus Henderson Investors, as at 31 December 2019.

## Multi Asset Team: asset allocation dashboard

### BONDS



	Outlook	Comments
Global corporate	▼	Strong returns but tight spreads and expensive valuations make the outlook challenging, with limited compensation for additional risk over sovereign bonds.
UK gilts	◆	Slowing macro data and political issues hint at challenges facing the UK, with scope for further declines in yields despite low starting point.
Global sovereign	▼	Yields remain low but valuations are less stretched than in corporate bonds. Total return outlook remains low but role remains as a hedging asset.
Emerging market debt	◆	Country-specific risks remain a headwind but tempering dollar strength and relatively attractive spreads present an acceptable outlook.
High yield	▼	Tight spreads and low yields limit returns going forward and present asymmetric return profiles, making sovereign bonds a more useful tool.

### EQUITIES



	Outlook	Comments
UK	◆	Brexit and GBP moves dominate the short term but competitive dividends and negative sentiment indicate potential for value with a long horizon.
Europe	▲	Unloved and under owned, the region offers significant sensitivity to a cyclical upswing and trade ceasefire. Valuations are not as stretched as elsewhere.
US	▼	Expensive region that has less sensitivity to improving growth outlook. Tech and health care vulnerable to politics as we head into November.
Japan	▲	Trade war developments affect this cyclical region but Japan has a compelling valuation and would benefit from macro stabilisation.
Asia	◆	Trade war headlines have improved but markets await clarity on global growth before buying cyclical at a time of elevated valuations.
Global emerging markets	◆	Trade war headlines have improved but markets await clarity on global growth before buying cyclical at a time of elevated valuations.

### CURRENCIES



	Outlook	Comments
£/\$	◆	Brexit-related volatility is expected to resurface in the UK although negative sentiment has faded out on the post election rally. Macro weakness also limits upside.
£/€	◆	Political developments seem likely to continue to drive headlines and market moves on both sides of the Channel.
£/¥	◆	No outright view given political noise but JPY offers safe haven status in a world of positive correlations across most asset classes.

### ALTERNATIVES



	Outlook	Comments
Property	◆	Lower bonds yields make property look attractive but valuations are not cheap relative to history and areas such as retail look very unappealing.
Gold	▼	Rally overdone in post Iran strike hysteria. Other hedging assets offer same level of protection but with less short term crowding.
Oil	◆	OPEC production cuts ensuring supply side is constructive but investors now focused on lower economic growth and geopolitics calming.

Positive ▲ Neutral ◆ Negative ▼

Source: Janus Henderson Investors at 31 December 2019. These comments reflect the views of Janus Henderson's UK-based Multi-Asset Team and should not be construed as investment advice. These views may differ from those of other Janus Henderson fund managers.

# Janus Henderson

---

INVESTORS

This document is intended solely for the use of professionals, defined as Eligible Counterparties or Professional Clients, and is not for general public distribution. Past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Tax assumptions and reliefs depend upon an investor's particular circumstances and may change if those circumstances or the law change. If you invest through a third party provider you are advised to consult them directly as charges, performance and terms and conditions may differ materially. Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell or purchase any investment. It does not form part of any contract for the sale or purchase of any investment. Any investment application will be made solely on the basis of the information contained in the Prospectus (including all relevant covering documents), which will contain investment restrictions. This document is intended as a summary only and potential investors must read the prospectus, and where relevant, the key investor information document before investing.

Issued by Janus Henderson Investors. Janus Henderson Investors is the name under which investment products and services are provided by Janus Capital International Limited (reg no. 3594615), Henderson Global Investors Limited (reg. no. 906355), Henderson Investment Funds Limited (reg. no. 2678531), AlphaGen Capital Limited (reg. no. 962757), Henderson Equity Partners Limited (reg. no. 2606646), (each registered in England and Wales at 201 Bishopsgate, London EC2M 3AE and regulated by the Financial Conduct Authority) and Henderson Management S.A. (reg no. B22848 at 2 Rue de Bitbourg, L-1273, Luxembourg and regulated by the Commission de Surveillance du Secteur Financier). Janus Henderson, Janus, Henderson, Perkins, Intech, Alphagen, VelocityShares, Knowledge. Shared and Knowledge Labs are trademarks of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.

**UAE:** The services included in this document have not been approved by or registered with; and do not fall under the supervision of the FCA.

CCAT\_1125\_0120