

Monthly Commentary 4th January 2018

December was a good month for equities, except for Europe. Indeed, 2017 was a much better year than expected by almost all forecasters, with Emerging Markets and the US equity markets doing exceptionally well. Fixed income also defied almost all predictions and did not fall! Will inflation finally appear and start sending yields higher? In currencies, the big story that again defied all currency strategists was the weakening of the USD across the board. Bottom line: a very good year for asset markets, and another bad year for professional forecasters.

On Emerging Markets

Emerging market equities outperformed all others in 2017 with a gain of more than 27% (as measure by MSCI EM Local Index). We believe they still have room to run, as solid economic growth should support continuing strong earnings growth. Another tailwind is reasonable valuations as the chart below shows. While in absolute terms EM valuations are near their long-term average, they are much cheaper than US markets. This should support more equity inflows into EMs.



New Elgin Offering dedicated to Emerging Markets

After staying away for almost five years, we re-introduced an emerging market component to all our strategies in 2017. We did so largely through the Hermes Global EM fund, which we consider one of the best.



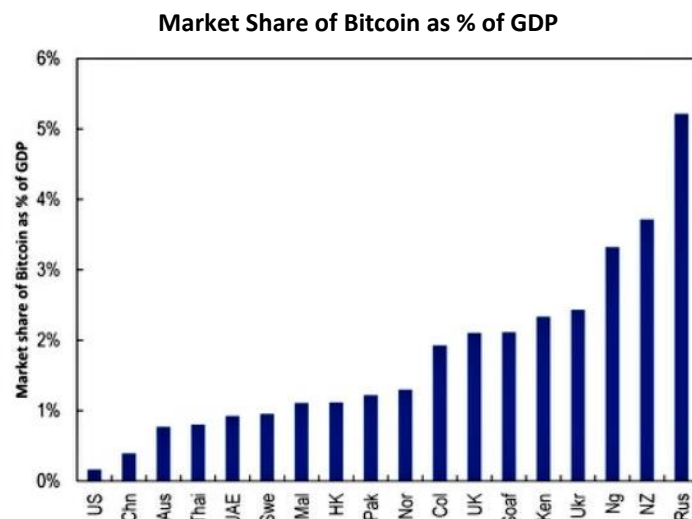
We believe this EM up-cycle has years to run so we decided to create a **very accessible and extremely attractive dedicated EM offering** with the following attributes:

- The use of Interactive Brokers (IB) online platform – consistently rated by Barron’s as the best online broker
- Managed portfolio using best-in-class EM ETFs (market cap, fundamental and multi-factor strategies)
- Growth Plus and Growth strategies available
- Very low fees
- Extremely liquid portfolio with no exit penalties
- Very low entry level (from USD 15K)

If you are interested in opening an account please let your advisor know. It is very easy to set up an account with IB.

How exposed are different countries to Bitcoin?

Being the flavour of the day, we thought we would present the below table that shows how vulnerable different economies are should Bitcoin have a major setback. Russia, New Zealand and Nigeria are especially exposed.



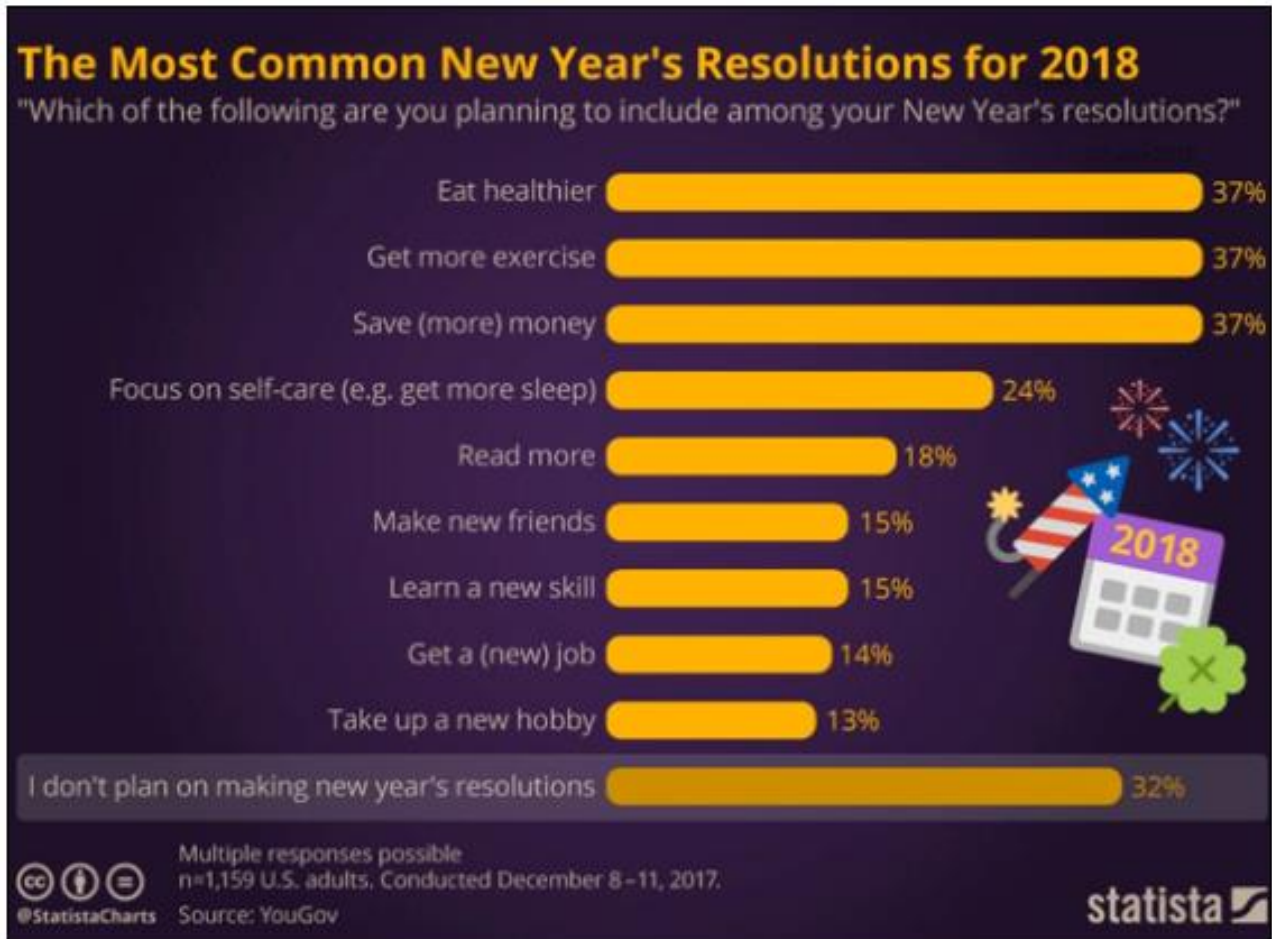
Source: Citi Research, LocalBitcoins

Then again, there are those that believe Bitcoin will keep on rising...



New Year Resolutions

Apparently, more than half of us make them! Below is an interesting graphic that shows the most popular ones.



Source: @StatistaCharts, @YouGov; [Read full article](#)

We wish you all a happy and healthy 2018

The Elgin Analyst Team

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