Monthly Commentary 5th November 2019

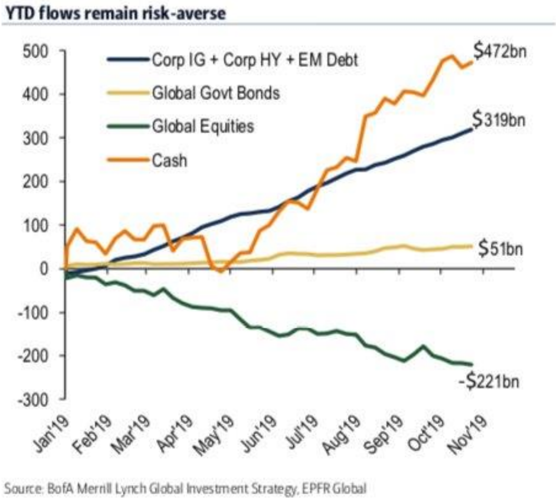
October was largely good for global equities. The German Dax was the strongest of the major markets while the FTSE, dragged down by a very strong pound sterling (+5% vs the USD) fell 2%. Bonds were mixed, with Gilts being the weakest. Commodities were up almost 2%.

What happened to the US yield curve?

The yield curve maps the yield for bonds of varying maturities, from 1 month to 30 years (and longer in some countries). It is generally believed that a positive sloping curve is a sign that the economy is fine. That makes sense, as the longer investors wait for the bond to mature, the more interest they expect for the extra time-related risk they take. Earlier this year, the US yield curve "inverted", meaning that bonds of short maturities yielded more than longer-dated bonds. This is unusual. It is also considered one of the most accurate forecasters of a pending recession, as it has had a very strong track record of being right. So it was a sigh of relief lately that the yield curve is no longer inverted. The graphic below maps the current yield curve (green) with the one from three months ago (dotted yellow). As you can see, much has changed at the lower end.

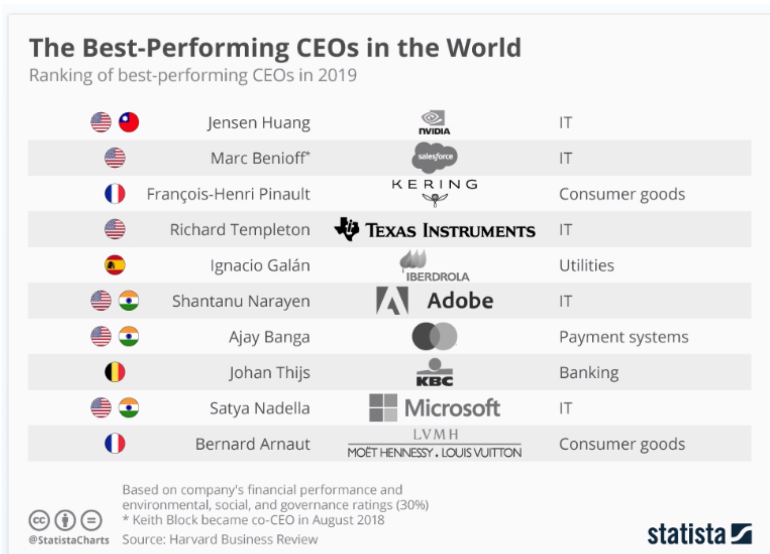
This is a good omen, considering that much of the economic data coming out of the US has been soft.

If much of the data has been weak, so have the steady flows out of equities and into bonds. The below graphic from Merrill shows that so far this year, a lot of money is still piling into bonds ($791 billion) and moving out of equities (-$221 billion). And yet, US markets keep marching on, frustrating as many investors as they can.



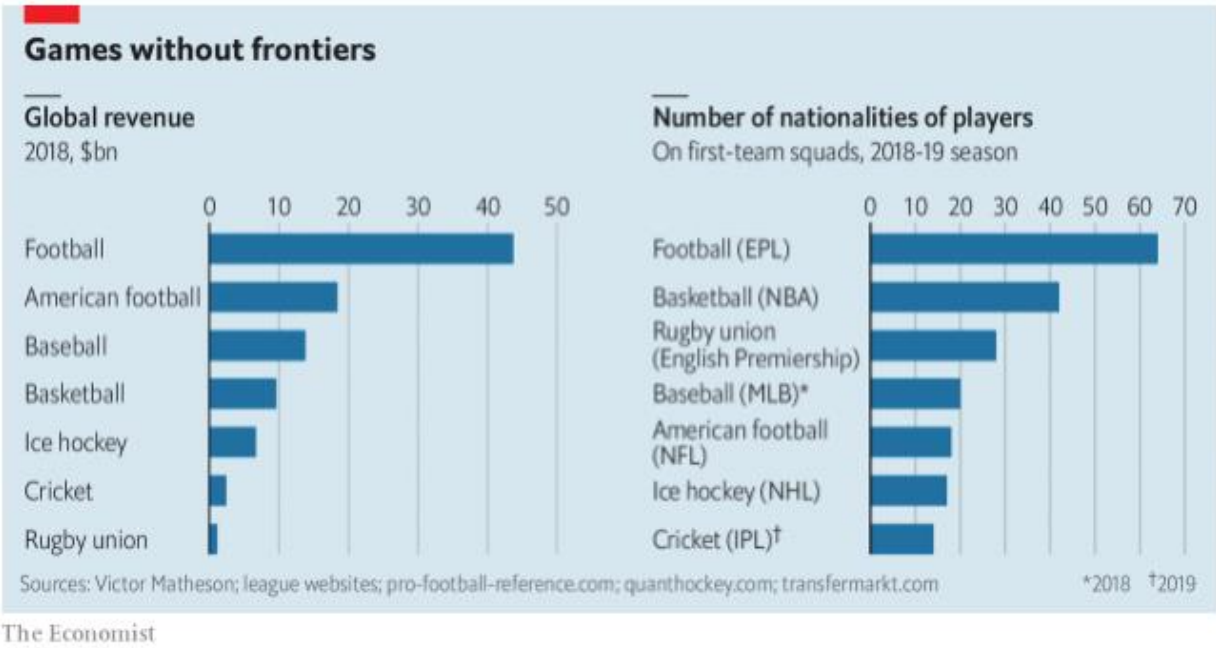
Best performing CEOs and Elgin Best-Ideas portfolios

The 2019 Harvard Business Review recently released their 2019 CEO ranking. The publication rated CEOs by their companies' financial performance and factored in 30 percent of their environmental, social, and governance ratings. See below.



A statistic on sport revenue

It has come as no surprise that football is by far the world's biggest money-spinner when it comes to sports. The Economist recently covered the story, saying that football generates half of all the revenue (of $90 billion a year) in world sports. See below.



The Elgin Analysts' Team

Disclaimer

The information in this article should neither be regarded as an offer nor a solicitation to buy, sell or otherwise deal with any investment referred to herein. As a regular rule, the value of any investment may rise or fall. Past performance is not an indicative of future results. Do not take unnecessary risk and always request advice from an investment professional before undertaking any investment.