

## CHRISTMAS COMES EARLY FOR RISK MARKETS

December 2019

*Prime Minister Boris Johnson's Decisive Victory and U.S.-China Trade Optimism*

Investors woke up to positive news on Friday morning with United Kingdom Prime Minister Boris Johnson's Conservative party winning a commanding majority in the Parliamentary election. Across the pond, there were more positive headlines with phase one of the U.S.-China trade deal seemingly near the finish line. The increased clarity that these developments provided drove a risk-on trade pushing equity markets to new highs. While less uncertainty should broadly support markets in the short-term, there are still reservations to longer-term implications of both developments.

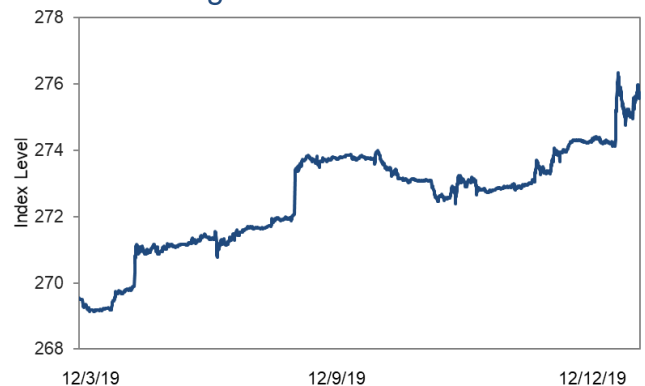
### Conservatives Gain Majority in Parliament

- Boris Johnson gained over 360 Parliamentary seats in Thursday's election, providing him with enough support to officially pass his Brexit deal on January 31.
- Passing the deal is just the first step leading to negotiations related to future relationships between the United Kingdom (UK) and the European Union (EU), perhaps most importantly around trade policy.
- A break from the bloc would give the UK free rein to establish its own economic policies and negotiate trade agreements with other countries without having to comply with EU regulations.
- In addition to establishing the future setup of the UK/EU relationship, leaders will also need to formulate a game plan for the transition.

### Progress Made with U.S.-China Trade Deal

- The U.S. and China appear to have sealed phase one, as it's commonly been called, of the latest trade negotiations, suspending tariffs on Chinese goods set to begin December 15 and cut back tariffs imposed earlier this year.
- Similar to the UK election situation, while more certainty is positive for markets and will likely dampen near-term volatility, investor focus will shift to the next phase of discussions and what it entails.
- Early indications suggest that intellectual property protection will be a key component of upcoming discussions, which will likely be contentious.

Global Equities Rallied Following Trade and Election News



Source: Bloomberg. MSCI ACWI Net Total Return USD Index



A P O L L O N

W E A L T H M A N A G E M E N T

The UK election and U.S.-China trade news materially impacted markets last week, both stories we will continue to watch. That said, for investors with long-term horizons, we don't believe it's prudent to position around unpredictable macro events. Rather, we advocate for a diversified strategy with exposure to most broad asset classes, setting clients up to generate strong risk-adjusted performance over a full market cycle.