

Gibraltar Asset Management Stock Market Commentary



GIBRALTAR ASSET MANAGEMENT LIMITED
STOCKBROKERS & INVESTMENT MANAGERS

'Volatility, thy name is volatility'

After a relatively tame first seven months of the year, volatility spiked in August. The market is oscillating to trade rumours as it has done for the past two years, but with a twist: scepticism is building, concern is deepening and fresh promises of "trade truce coming" no longer provide a lasting lift for stocks. In a reversal of the multiyear trend, selloffs have become bone-rattling. Down sessions are fiercer than buy-the-dip rallies, several of which have faded away into the close. On top of that, investors are having to contend with potential pitfalls on multiple fronts - Brexit, yield-curve inversions, negative global bond yields, concerns over corporate profits, massive debt, weak global growth and global warming.

by Mark Maloney, Managing Director, Gibraltar Asset Management Limited

Market Outlook

Our allocation to the stock market returns to equalweight. The FTSE 100 rose 165 points last month, fully justifying our bullish call. However, we see the market moving in a tight range from here, subject of course to geopolitical events taking over the reins. Investors continue to digest the impact of trade tariffs. Whilst it is difficult to establish

clear links, economists are increasingly ascribing a litany of ills to the trade war. These include global economic slowing, negative yields in both economically strong (e.g. Germany) and economically challenged (e.g. Spain) nations, and inversion in the US yield curve. Even former defenders of the trade war are edging toward becoming critics. Virtually everyone just wishes it would just go away. Perhaps as a result, over the last month there has been a deterioration in the performance of growth stocks accompanied by

an improvement in the performance of defensive sectors. Whilst rotation occurs and is the lifeblood of any bull market, one does not want defensive sectors taking over for too long. While it's only a month, the defensive leadership during August is a little disturbing and should be watched for any sign of permanence. In summary, we are neutral in the short term on equities as the risks to the global growth story have mounted and the month of September happens to have the worst record for shares for any month of the year.

Recommended Investment

iShares Global High Yield Corporate Bond GBP Hedged ETF
iShares Global High Yield Corp Bond GBP Hedged ETF is an exchange traded fund that trades on the London Stock Exchange (GHYS.L) in sterling. It tracks the Markit iBoxx Global Developed Markets Liquid High Yield Capped Index. This index provides diversified exposure to sub investment grade rated bonds issued by companies based in developed countries. Such bonds can be notoriously volatile, so it makes sense for the average investor to obtain exposure through a fund, rather than through direct holdings. There are over 1,200 holdings in this index, so the failure of any individual bond will have a negligible effect on the fund's market value. The fund is highly diversified by region (US 65%, Italy 3%, France 4%, Germany 4% & Netherlands 3%) and sector (Communications 22%, Consumer Cyclical 14%, Consumer Non-Cyclical, Energy 10% & Capital Goods 10%). As the majority of the fund's holdings are non-sterling denominated, the fund hedges

that exposure back to sterling monthly to eliminate currency risk. 61% of the underlying bonds are BB rated and 30% single B. The average maturity of the fund is just 3.4 years, putting the fund at the lower end of the risk scale should interest rates start to rise. As the fund is a passive index tracker, the management fees are very low, 0.55% per annum in this case. For us, the main attraction, however, is its source of income. The yield is currently 4.9% and the income is distributed semi-annually to shareholders. For investors seeking income and with a time horizon of at least 5 years, we rate the fund a strong buy.

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ON TV tonight

Hairy Bikers: Route 66

BBC2, 9pm

by **Rachael Popow**

The Hairy Bikers are getting back on the road - and it's not just any road either. For their new series, Dave Myers and Simon King will be getting their kicks along America's iconic Route 66, which spans over 2,000 miles from Chicago to California. Understandably, the duo are excited. Dave says: "Route 66 is a bucket-list trip for us and it truly is an American dream to take in the sights and scenery

of this part of the world - all whilst enjoying some delicious local delicacies along the way." In fact, it may seem a little surprising that they didn't come up with idea earlier in their careers. The Hairy Bikers first met in the 1990s on the set of the Catherine Cookson drama *The Gambling Man*, where they were working behind the scenes - Dave was a make-up artist and Simon was a location manager - and decided to come up with a series where they would be the stars. According to Dave: "We thought 'What are we really good at?' and our list included cooking, eating, riding motorbikes and talking rubbish." That's how the Hairy Bikers

began, and while they have branched out in some surprising directions - including launching a series dedicated to Meals on Wheels and becoming the Hairy Dieters - many of their shows have stuck to the basic formula of food and motorbikes. So, Route 66 is an obvious destination, although the food they'll be tucking into may be a little more surprising. For a start, it won't just be massive burgers. As Si says: "America has a multicultural food scene and is the home of some outrageous food. We're all accustomed to the supersized portions and all-you-can-eat challenges that the USA has become known for, but we'll be seeking out the

best and most diverse cuisine this fascinating country has to offer." During their six-episode trip they'll visit the bright lights of Los Angeles and Las Vegas as well as the incredible prairie landscapes of Oklahoma and the staggering vistas of the Grand Canyon. But they begin their mission in Chicago, which is famed for its meatpacking industry. To keep it running, the city drew on migrant workers who brought with them their own dishes. The Bikers get to sample some of them, although one Italian beef sub roll proves so sloppy, they adopt a special stance to avoid getting their boots wet. From there, they learn more

about why Route 66 entered US folklore by connecting small-town America from East to West, bringing prosperity with it. And no trip into the US heartlands would be complete without an apple pie. But they also get to taste a more unusual delicacy - Ted Drewes' 'concrete custard', which is so thick it's served upside down. Dave and Si also receive an invitation to spend time with the Amish community, learning more about their way of life and cooking, and in St Louis they meet the city's Bosnian population, who share their stories of modern migration as well as their delicious food. (PA)

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