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Your news update

January 2020

Now, for tomorrow





Introduction

Welcome to our first newsletter of the year and decade!

As a new year treat, we have not one, but two fun facts for you. Did you know that the Romans named it January after Janus, the God of gateways. Hundreds of years after the Romans left Britain, the Anglo-Saxons called January “Wulfmonath,” because it was the month where wolves would often scavenge at people’s doors.

Meanwhile, in the modern day, the General Election is now behind us and we have a new government in situ, though we doubt the political maneuvering is quite over. Particularly given Brexit negotiations are set to reach their conclusion before the deadline at the end of this month. We’ll make sure to keep you posted on anything that may affect your finances.

We hope you enjoy this month’s articles. If you would like to discuss any of the content we’ve shared, feel free to get in contact.



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United Kingdom

Retail

2019 was a tale of unremitting gloom for the UK high street and while the Spring Budget is certain to contain moves designed to help it compete with online shopping, one wonders if the high street is simply an idea whose time is past.

December brought us the usual tales of individual gloom from retailers although pub chain Wetherspoons bucked the trend by announcing it would invest £200m over the next four years and create 10,000 jobs. Dunelm also announced that it expects to beat its original profit forecasts for the year, crediting 'strong online performance' for much of the good news.

Sales were down in the week before Black Friday, and 'Super Saturday' (the Saturday before Christmas) failed to deliver its customary retail spike. There was also a sharp drop in Boxing Day footfall, with retailers blaming the amounts that had been spent online before Christmas.

Retail sales were also down in November by 0.6%, making it the fourth consecutive month of falling sales, and it all added up to a gloomy end of the year for traditional retailing as 61 shops closed every day in the UK.

Economy

The Prime Minister was understandably bullish about the economy following his election victory but, in truth, it will take some time for his planned investment in the UK's infrastructure to pay dividends, and for the country to overcome the effects of 3½ years of uncertainty.

Clearly though, the new Government means business, with the Treasury apparently 'set to re-write the rules' to allow more investment in the North.

The CBI forecast that growth in the UK will slow to 1.2% next year despite the Brexit deal, but will then pick up to 1.8% in 2021.

Figures showed that the UK construction sector had contracted for the seventh month in a row, and the Federation of Small Business said that confidence among its members was at an eight year low. That confidence cannot have been helped by the news that the National Living Wage will rise by 6.2% in April, well above the level of inflation.

There are challenges for the new Government, and for the new Governor of the Bank of England, with former boss of the Financial Conduct Authority Andrew Bailey set to take over from Mark Carney.

There will be good news in Mr Bailey's in-tray as it appears that the UK economy grew slightly faster in the third quarter than originally thought. The Office for National Statistics revised its growth figure up to 0.4% from 0.3% and the employment figures continue to show record numbers in work. The employment rate is now at an all-time high of 76.2% with a total of 32.8m people employed in the UK. Unemployment fell to 1.28m, the lowest figure since January 1975.

2020 certainly promises to be an interesting year for the UK economy.

Market

The market was up by 3% in December to end the year at 7,542. The 12% rise in the year was well below that achieved by some other markets. But given the uncertainty that prevailed for much of the year, most UK investors will be happy with that return.

The pound closed the year at \$1.3246, up by 2% in December and up by 4% for 2019.



Brexit and Europe

Brexit

"Enough," said Boris Johnson to the camera as his parody of the famous scene from *Love Actually* ended. *"Enough, let's get this done."*

It seemed that the British people agreed with him, as the General Election saw the Conservatives win a thumping majority, as constituencies that had been Labour for generations switched their allegiance. The Conservatives won 43.6% of the national vote and 365 seats, with Labour on 203 and the SNP winning 48 seats in Scotland.

This translated to a Conservative majority of 80, and means that you can forget the phrase 'hung parliament' for the foreseeable future. Boris Johnson's Withdrawal Agreement was brought back to Parliament before Christmas and was passed by 358 votes to 234 – which means that the UK will finally leave the European Union at 11pm on 31st January.

We will then need to negotiate a trade agreement with the EU, which is scheduled to be completed by the end of 2020. Plenty of people argue that it cannot be done in 11 months, but we suspect the reality is that there is now a desire on both sides to get the matter settled once and for all.

The biggest stumbling block will be the EU's demand for a 'level playing field' – they do not want a low-cost, low-regulation competitor on their doorstep (what's been dubbed 'Singapore-on-Thames').

Europe

For much of 2019, the German economy had been flirting with recession. While the biggest economy in Europe didn't technically go into recession, there continue to be plenty of worrying signs.

Figures for October showed that Germany had suffered a 'disastrous' fall in factory production, with output down 1.7% – well below expectations. The drop, which came from lower production of heavy machinery and capital goods, was the biggest fall in factory output since November 2009.

Meanwhile France suffered its biggest strike in years, with the CGT union claiming that 1.5m people were on strike in protest against President Macron's planned pension reforms. With the President confirming that he will press ahead with the unpopular reforms, France looks set for more strikes in the year ahead.

German farmers were also striking in protest against the Government's new agricultural package which will limit the use of insecticides, weed-killers and other plant-protection products. The farmers see the Government making concessions to the Green lobby at their expense.

Fiat-Chrysler and Peugeot-maker PSA agreed a \$50bn (£37.5bn) mega-merger to create the world's fourth-largest car maker. The newly combined companies believe they can achieve \$4bn (£3bn) of savings through combining purchasing agreements and technologies.

It was a relatively quiet month for the leading European stock markets. The German market was virtually unchanged at 13,249 while the French market was up just 1% to 5,978. However, taking the year as a whole both countries' markets enjoyed very good years, despite the problems. The German DAX index was up by 25% in 2019 while the French market rose 26%. Pride of place, though, goes to Greece: for once it was nothing but good news, as the Athens stock market enjoyed a very successful year, finishing up 50% at 917.

United States



Politics

Much of December was taken up with the continuing war of words over the US/China trade dispute. But, with the President now signaling that he will sign the first stage of an agreement, perhaps attention will turn to more domestic matters...such as the President's impeachment.

With the vote splitting along party lines, December saw Donald Trump join Andrew Jefferson and Bill Clinton as the only US Presidents to be impeached. The vote is almost certain to be overturned in the Senate – where the Republicans hold a majority – leaving Trump free to fight the 2020 Presidential election.

At the moment it looks as though the 73 year old President will be up against either 77 year old Joe Biden or 78 year old Bernie Sanders.

You suspect that some of the younger Democrat candidates are keeping their powder dry for 2024, thinking that while Trump may once again lose the popular vote, he will win enough electoral college votes to be back in the White House for another four years.

Economy

Certainly, the jobs figures at the beginning of the month will have pleased the President, and those pundits who expect him to hold all the states he won in 2016. The US economy added 266,000 jobs in November, the highest figure for 10 months which saw the unemployment rate drop to 3.5%.

Industry

There were, though, two rather high-profile job losses, as co-founder Travis Kalanick stepped down from the Uber board, and Boeing finally fired CEO Denis Muilenberg, nine months after the second of two plane crashes which killed a total of 346 people.

Cyber Monday on 2nd December was expected to deliver record US sales and it didn't disappoint, with consumers spending \$9.4bn (£7.1bn). That was well up on the \$7.9bn (£6bn) spent in 2018 and cannot do anything other than impact on traditional shopping outlets.

There was slightly worrying news for any of us who value our privacy: Apple, Google and Amazon are to team up to 'make home tech easier to use.' Until now the companies have been fiercely competitive but have now agreed to 'play nice' according to one industry analyst. Does that mean they will start to share the data they have on us? Privacy campaigners may be right to be alarmed.

Market

No-one though, could be alarmed at the performance of the Dow Jones index, which closed December up 2% at 28,538. Having started 2019 at 23,327 it was up by 22% for the year as a whole and – as we're sure you'll hear the President point out in the election campaign – it is up by 44% from Inauguration Day 2017.



Global

Far East

Chinese exporters will certainly be hoping for a settlement to the trade dispute, as figures released in December showed exports had fallen for a fourth straight month. Exports in November were down 1.1% on a year previously, with exports to the US down by a whopping 23%.

Meanwhile there were more problems for the Chinese economy as the effects of African Swine Fever – which had apparently entered the country from Indonesia – pushed inflation to an eight-year high in November, with pork prices roughly double those of a year ago. Overall consumer prices rose by 4.5% year on year, the fastest rate since the beginning of 2012.

Despite this, factory-gate prices fell for the fifth month in a row, again highlighting the impact the trade dispute has had on China's manufacturing sector.

The month ended with Tesla's first 'made in China' cars rolling off the production line, as 15 Model 3 sedans emerged from the so-called 'Gigafactory' near Shanghai. Tesla is aiming to capture a significant slice of the world's biggest car market. Meanwhile Huawei – beset by espionage claims and hit by US sanctions – says that its priority for 2020 is simply to survive. In a poetic New Year message, the company said that the 'heady scent of plums' will only come after it has survived 'the bone-deep bite of winter.'

There was no 'heady scent' of anything in Hong Kong where the pro-democracy protests continued: you suspect this will recur through the coming year.

But Hong Kong's Hang Seng index does appear to have survived the bite of winter: along with other markets in the region it was up in December, rising 7% to close the month at 28,190. China's Shanghai Composite index rose 6% to 3,050, while the South Korean market rose by 5% to 2,198. The Japanese index enjoyed a modest month, but was still up by 2% to 23,657.

For the year as a whole, China led the way with a 22% rise, followed by Japan's Nikkei Dow index which rose 18%. Hong Kong was up by 9% in 2019: the South Korean market brought up the rear with a rise of just 8%.

Emerging Markets

Last month we mentioned the stock market debut of Saudi Aramco, the world's most profitable company. The company duly made its debut on the Riyadh stock market and despite lukewarm interest from abroad, local and regional investors paid \$25.6bn (£19.4bn) for a 1.5% stake in the company.

This made it the biggest share sale to date, beating the \$25bn which China's Alibaba raised in its New York stock market debut in 2014.

The Indian stock market was up by just 1% to 41,254, while the Russian market rose 4% to break through the 3,000 barrier and end the year at 3,046. But the Brazilian stock market did even better, up 7% in December to 115,645.

If we look at the year as a whole, Brazil leads the way with a spectacular rise of 32%. The Russian market wasn't far behind, finishing the year up 29%. The Indian stock market enjoyed a much less spectacular – but perfectly acceptable – year, rising by 14% for 2019 as a whole.



In other news

Bananas

December saw one big news story in the art world which might make many of us rethink our future careers. Why bother to work hard when you can get \$120,000 (£90,000) for duct-taping an over-ripe banana to a wall? Yes, that is what Italian artist Maurizio Cattelan was paid for his piece Comedian which was on show at a gallery in Miami.

The bad news for Mr Cattelan's bank balance is that fellow performance artist David Datuna pulled the banana off the wall, peeled it and ate it. Luckily a contingency plan was drawn up, a replacement banana was sourced, and police are now guarding the expensive fruit.

The lottery of life

Meanwhile, Spanish TV reporter Natalia Escudero was excited after she thought she'd scooped a big prize in the country's Christmas lottery – so excited that she resigned from her job live on air. Sadly, a closer examination of the ticket showed that she had only won €5,000 (£4,230)!

Talk to us

Should you have any immediate concerns about how these market movements affect your finances, please contact us on 01903 534587 or email info@carpenterboxfa.com

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