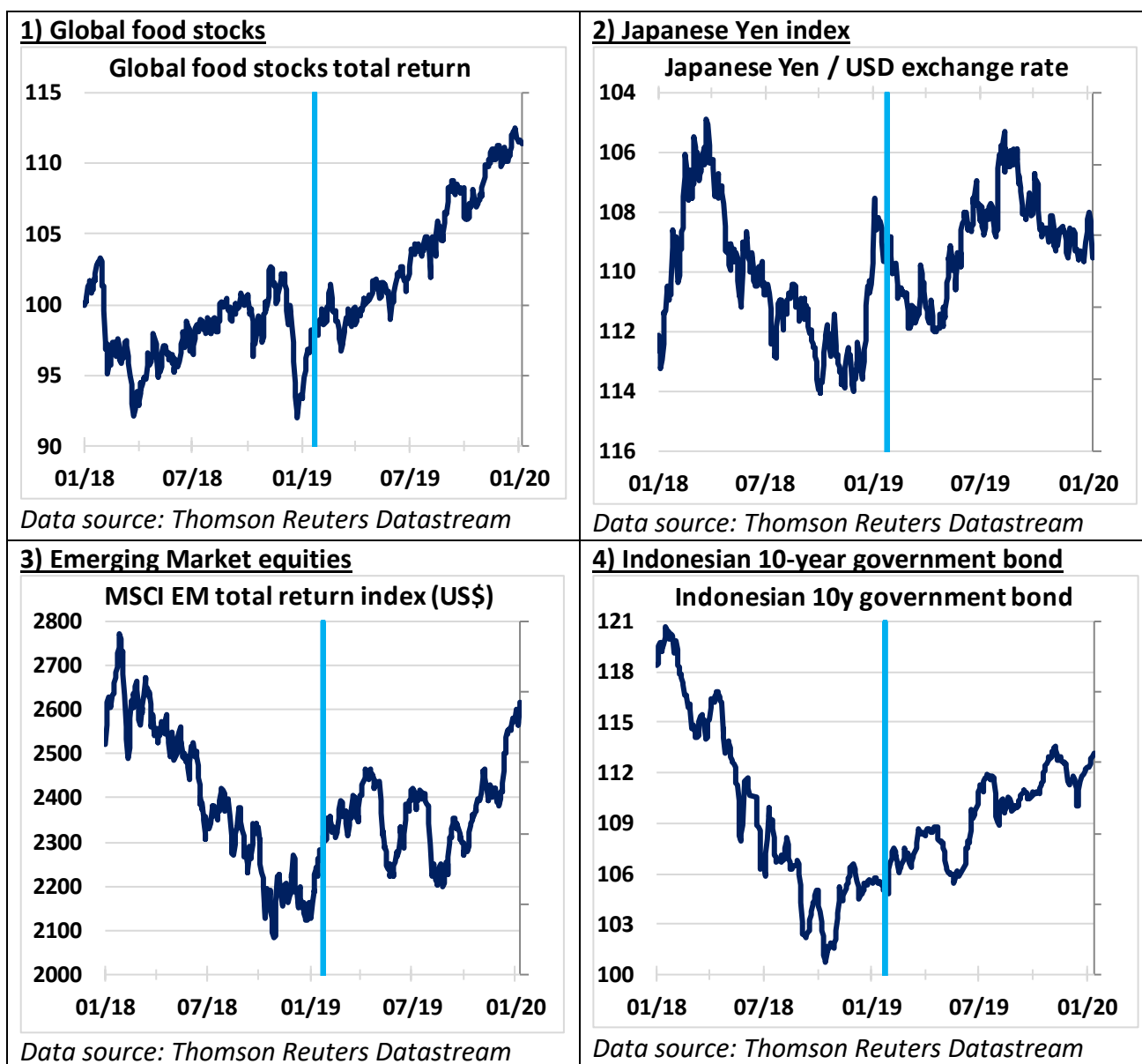


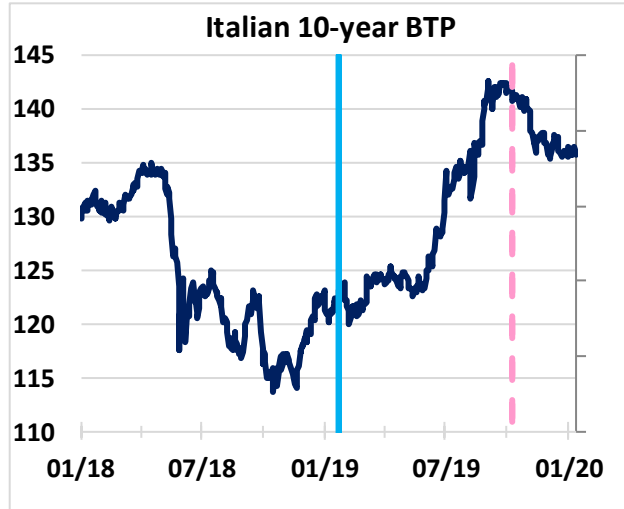
Review of EP's favoured assets

In January last year, when we introduced *Market Focus*, we introduced the idea of our favoured assets. To be clear, these are not recommendations, but rather they are illustrations of the implications from our work for investment contexts. We seek to identify assets and financial instruments that are directly investible for most funds. In this article, we take stock of the ideas that we have advanced and hold ourselves to account, in a repeat of the exercise we carried out in the July/August edition six months ago. Some of our assets have now been favoured for a full year, whereas others have been withdrawn or replaced along the way.

The following pages highlight the twenty assets that we have favoured since the last review, and illustrate with a vertical blue line the point where we published the *Market Focus* in which we first favoured them. In the case of Italian 10-year bonds we use a pink line to show the point at which we withdrew our support. We summarise the 20 assets in figure 3 below, and give our verdicts on which remain favoured going forwards.

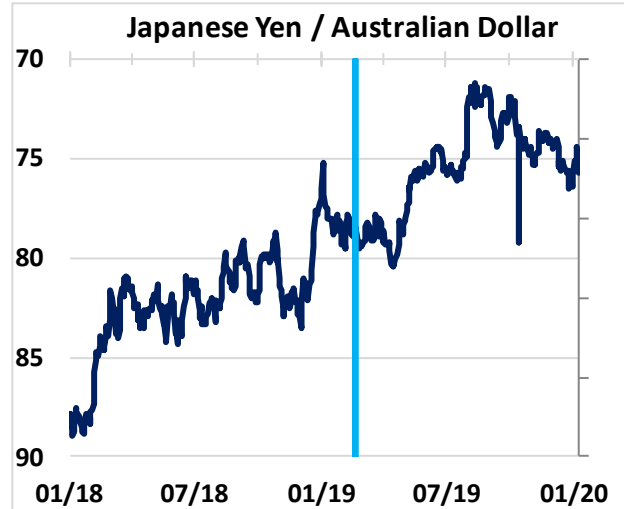


5) Italian 10-year BTP



Data source: Thomson Reuters Datastream

6) Japanese Yen / Australian Dollar



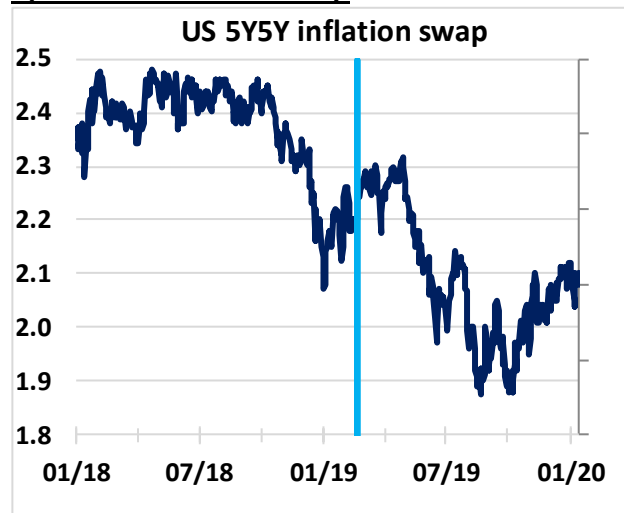
Data source: Thomson Reuters Datastream

7) Chinese equities



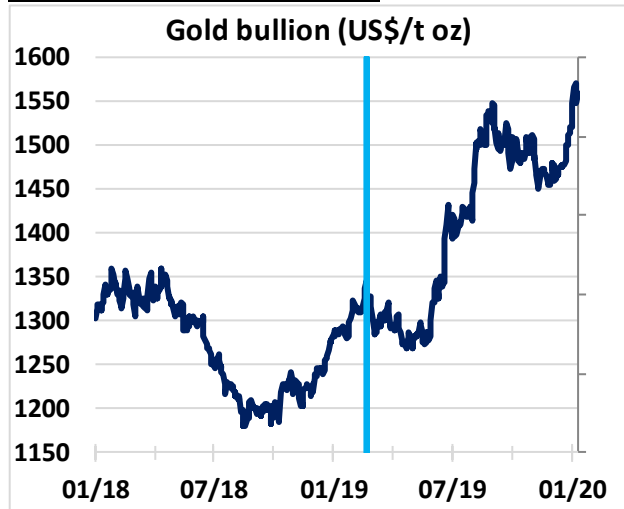
Data source: Thomson Reuters Datastream

8) US 5Y5Y inflation swap



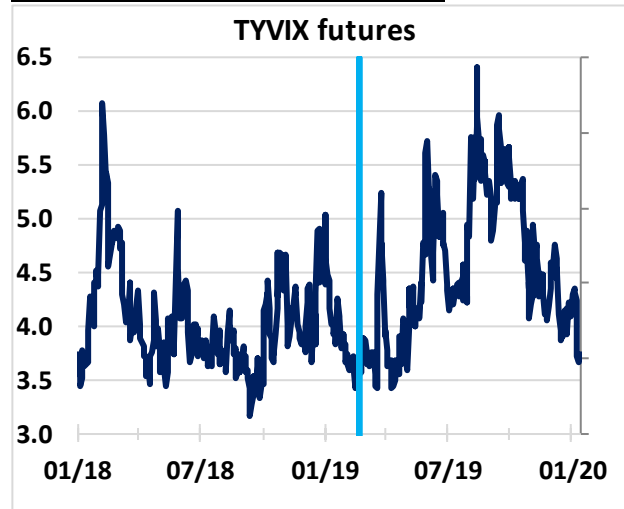
Data source: Thomson Reuters Datastream

9) Gold bullion in US Dollars



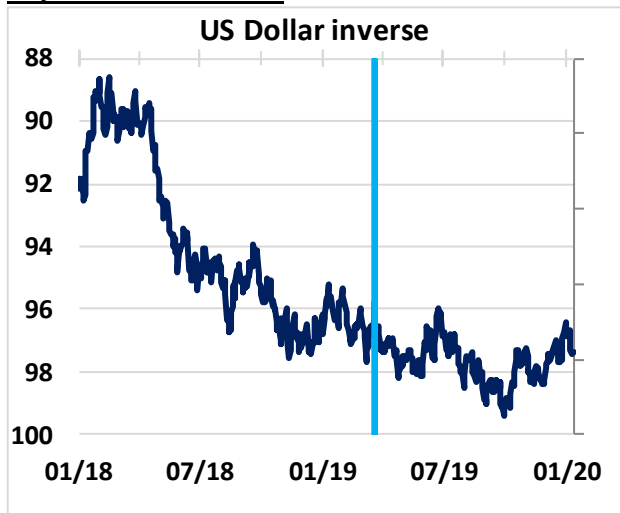
Data source: Thomson Reuters Datastream

10) MOVE option volatility index



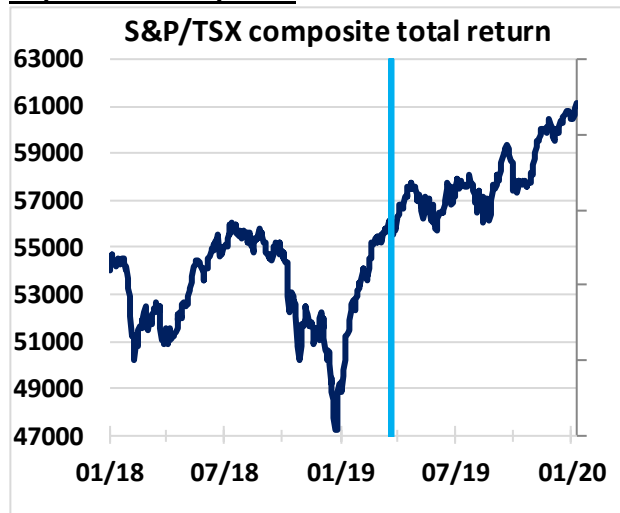
Data source: Thomson Reuters Datastream

11) US Dollar inverse



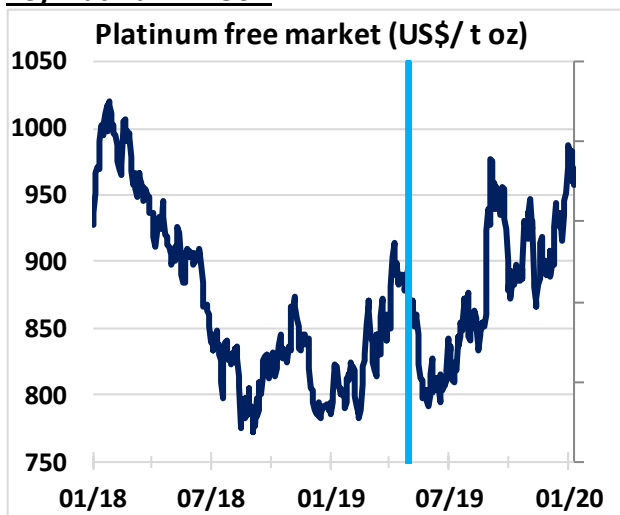
Data source: Thomson Reuters Datastream

12) Canadian equities



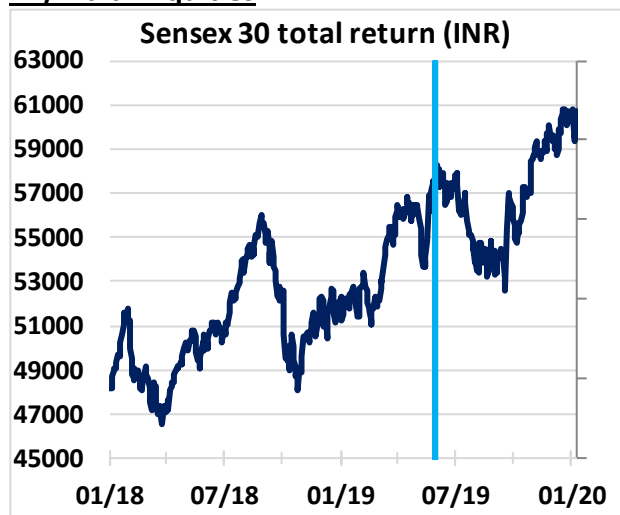
Data source: Thomson Reuters Datastream

13) Platinum in USD



Data source: Thomson Reuters Datastream

14) Indian Equities



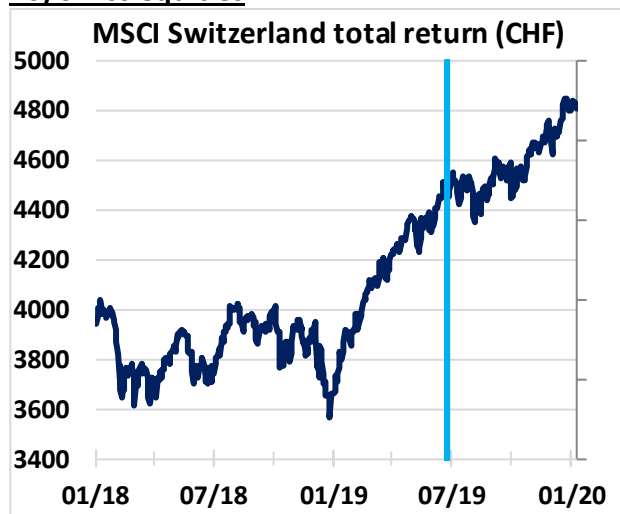
Data source: Thomson Reuters Datastream

15) Cocoa

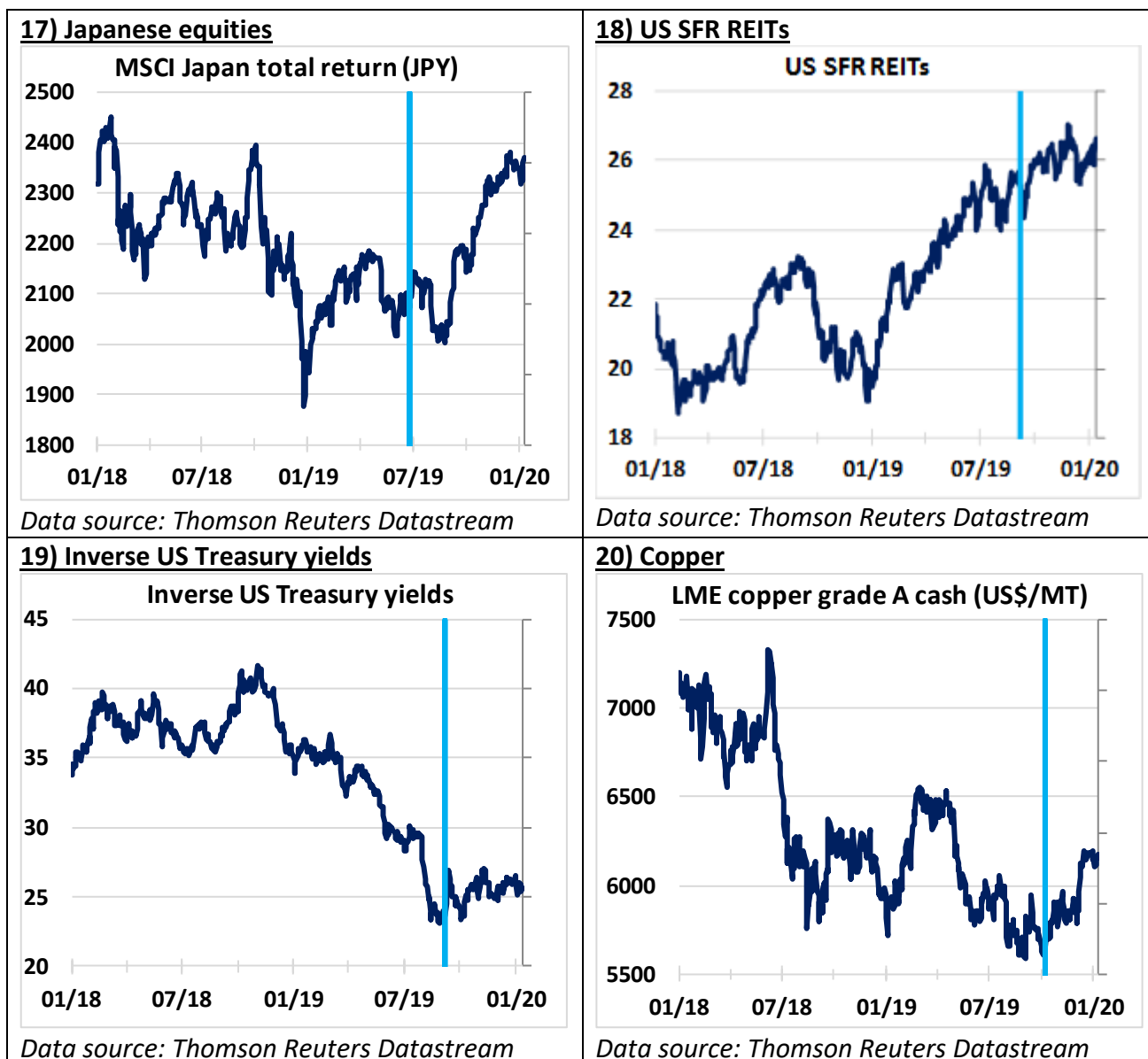


Data source: Thomson Reuters Datastream

16) Swiss equities



Data source: Thomson Reuters Datastream



Pleasingly, eighteen out of twenty of our favoured assets have seen positive returns in the period since we first featured them. Given their staggered start dates, it is hard to give an average, but a crude measure is that the mean of the annualised returns is 13.11 per cent. The October introduction of Copper has been the most rewarding on an annualised basis, up 9.22% in around three months. Gold bullion has been the best performer when looking at the non-annualised data with 17.16% growth. The two ideas that have gone against us have not been disastrous. We stand by our opinion that the Dollar is likely to give back some of its gains, an idea that seems to be becoming more consensus. We also continue to believe that the odds favour US inflation turning upwards but will look for a new manifestation of this idea and no longer favour the 5Y5Y inflation swap.

Figure 3

Number	Favoured asset	First mentioned	Representative index	Original value	Most recent data point	Most recent data value	Gain/loss (%)	Annualised
1	Global food stocks	January 2019	Average of FTSE all-world food producers and FTSE all-world food and drug retailers total return	97.979	06/01/2020	111.428	13.73	14.49
2	Japanese Yen index	January 2019	JPY/USD	109.585	10/01/2020	109.560	0.02	0.02
3	Emerging Market Equities	January 2019	MSCI EM total return index (US\$)	2283.798	10/01/2020	2615.448	14.52	15.14
4	Indonesian 10-year government bond	January 2019	Indonesian 2029 9% government bond (IDR)	105.027	14/01/2020	113.138	7.72	7.95
5	Italian 10-year BTP	January 2019	Italian November 2029 5.25% BTP (EUR)	123.212	09/10/2019	141.725	15.03	21.90
6	Japanese Yen/ Australian Dollar	February 2019	JPY/AUD	78.45	10/01/2020	75.67	3.67	4.16
7	Chinese Equities	February 2019	MSCI China total return index	151.304	10/01/2020	169.456	12.00	13.66
8	US 5Y5Y inflation swap	February 2019	US 5Y5Y inflation swap (USD)	2.253	14/01/2020	2.1015	-6.72	-7.48
9	Gold bullion in USD	February 2019	Gold bullion (USD)	1331.29	10/01/2020	1559.69	17.16	19.59
10	MOVE option volatility index	March 2019	TYVIX future (USD)	3.61	14/01/2020	3.73	3.32	4.07
11	US dollar inverse	March 2019	DXY dollar index	96.49	13/01/2020	97.35	-0.88	-1.08
12	Canadian equities	March 2019	S&P/TSX composite index total return (CAD)	56158.59	10/01/2020	61129.25	8.85	11.06
13	Platinum in USD	April 2019	Platinum free market (US\$/t oz)	896	10/01/2020	969	8.15	11.81
14	Indian equities	May 2019	BSE Sensex 30 (Indian Rupees)	57502.62	10/01/2020	60716.37	5.59	9.27
15	Cocoa	May 2019	S&P GSCI Cocoa total return index (USD)	28.89	10/01/2020	31.28	8.27	13.83
16	Swiss equities	June 2019	MSCI Switzerland total return (CHF)	4473.769	10/01/2020	4807.848	7.47	14.12
17	Japanese equities	June 2019	MSCI Japan total return (JPY)	2079.207	10/01/2020	2371.054	14.04	27.24
18	US SFR REITs	September 2019	American Homes 4 Rent REIT [AMH] (USD)	25.25	13/01/2020	26.61	5.39	16.00
19	Inverse US Treasury yields	September 2019	Proshares Ultrashort 20+ Year Treasury [TBT] (USD)	23.66	13/01/2020	25.6	8.20	24.98
20	Copper	October 2019	LME copper grade A cash(US\$/MT)	5651.25	10/01/2020	6172.25	9.22	41.36

Data source: Thomson Reuters Datastream and Economic Perspective