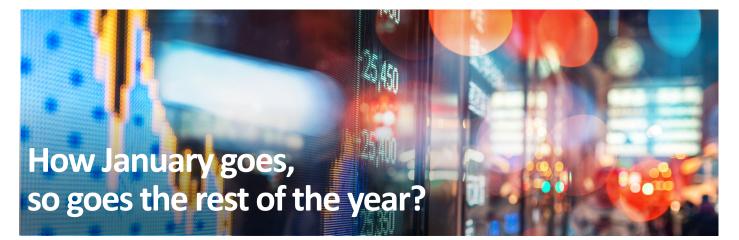
RAYMOND JAMES



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"January is always a good month for behavioural economics: Few things illustrate self-control as vividly as New Year's resolutions. February is even better, though, because it lets us study why so many of those resolutions are broken" - Sendhil Mullainathan

I am not going to ask you about how your New Year resolutions are shaping up, but the observation above about the tenuous nature of many of them is a not unusual occurrence for many of us.

Naturally, the same can happen with financial market predictions. Thoughts that appeared valid and respectful considerations about the upcoming twelve months, can seem by the end of January tarnished and facile. Such is the nature of financial markets.

I found myself at one of my old university haunts in late January, talking to tomorrow's potential financial sector analysts, wannabe fund managers or investment bankers. I explained that the oftquoted dictum that "in the short run, the market is like a voting machine... but in the long run, the market is like a weighing machine" is seldom wrong, an observation which led to one of the students asking how we should view the current outbreak of novel coronavirus (2019-nCoV).

Suffice to say, if I had named a virus as a likely major concern for the world's financial markets during 2020 back late last year, I would have referenced it by now. You can see its impact however on financial markets during the first month of the year. After all, you do not get a variety of important global bond markets plus gold near the top of the performance charts, whilst the energy and resources sectors plus emerging market investments lagged.

Of course this was a month very much of two halves. The publication of the International Monetary Fund's updated World Economic

Outlook during mid-January may have clipped global growth rates slightly down from the equivalent publication in October 2019, but it still projected a rise from an estimated 2.9 percent in 2019 to 3.3 percent in 2020 and 3.4 percent for 2021. And a quick look at the different regions of the world - outside the United States - would have seen that every one of these was projected to achieve higher year-on-year full year economic growth rates in both 2020 and 2021.

Naturally, the question for investors is whether many of these growth projections remain reasonable. Seasonal viruses are not extremely unusual - as Zika in 2016, MERS in 2013 and SARS in 2003 among many others will attest - but the difference is that none of the above were impacting an economy responsible at the time of the outbreak, for about a third of at-the-margin global growth.

The oft-quoted dictum that "in the short run, the market is like a voting machine... but in the long run, the market is like a weighing machine" is seldom wrong So back to the question I was asked by the university student last week. Despite the clear seriousness of the situation, I would say that we are unlikely to end this year with 2020 being afflicted through all four quarters by the coronavirus. However as a 'voting machine' factor it has impacted perceptions of growth and profitability all over the world. Hence the aforementioned January performance split and the near-immediate response by the Chinese authorities to loosen policy (for which they fortunately have significant room for manoeuvre) after the Lunar New Year period had finished. Naturally, I can already predict with a decent level of certainty that a bunch of strategy notes for 2021 written in the last couple of months of this year, will include a seasonal virus as a quite plausible impacting occurrence. Such are the opportunities the vicissitudes of financial markets can bring for the weighing machine investor. In summary, not all hopes, resolutions and predictions for 2020 have to be broken in the first couple of months of the year. Taking each day as it comes within a broader and pragmatic plan makes far more sense.

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