

2016 PREVIEW VIDEO SERIES: SIMILARITIES BETWEEN 1998 AND 2015

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Why do you think 2015 felt so much like 1998 and why does that matter when we think about how events could play out in 2016?

I think that comparison between the 2 years is absolutely fascinating. Both come after multi-year Dollar rallies. Both come on the back of a very very slightly hawkish Fed in years past and both come in the face of a series of emerging market crises. What really struck me about the comparison this year was the fact that actually we ended up with a rhythm through the summer this year that matched so closely to what we saw in 1998. A semi-annual testimony from the Fed chairperson, which was again slightly hawkish, a crisis in a major emerging market in August that sent mainstream equity markets and the Dollar into a tailspin (in 1998 it was Russia and the devaluation; this year it was China and the devaluation – or supposed devaluation – of the Renminbi). Most importantly, was the fact that actually in both cases the Fed reacted to market concerns. In 1998, the Fed cut rates in September, again in October and again in November to try and provide support for markets. And that worked. It ended up with a market that actually started to recover its confidence in the 4th quarter of that year and on the back of that Fed put to support them, rallied incredibly strongly in 1999. This year the Fed paused. It didn't go to hike rates in September. It held off. It held off in October and it was only in December that we finally went to make the move. That also had a positive impact on investor sentiment. As we came into the 4th quarter of this year, we saw a huge surge in sentiment – positive risk sentiment. And it seems to me if there's a key story here, as much as in 1998 with the "Greenspan put" driving investor sentiment positively, I think this year the "Yellen put" equally provided investors with a positive base from which to build in terms of asset price appreciation.

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