

CI Global Enhanced Government Bond Private Pool Fourth-quarter 2019 Commentary

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Class F returns (in %) as at December 31, 2019	Year- to- date	1 year	3 year	5 year	Since inception (10/29/2018)
CI Global Enhanced Government Bond Private Pool	6.1	6.1	N/A	N/A	5.5

Sources: Bloomberg Finance L.P., Marret Asset Management, as at December 31, 2019.

Market Overview

-) Risk markets performed well in December, ending the year strongly. They were supported by stabilizing global growth at low levels, improving trade tensions and accommodative central banks. The U.S. Federal Reserve continued to cut interest rates and began expanding its balance sheet in response to repo market pressures, helping to create a robust demand dynamic for risk markets, which encouraged further optimism that the economic cycle could be extended.
-) Measures of global growth and trade, including export data overseas and global Purchase Managers' Indexes continued to suggest signs of basing. The tone surrounding trade negotiations, which caused much of the volatility in risk markets during the year, exited 2019 on a positive headline.
-) A Phase 1 trade agreement between the U.S. and China was accepted by both sides avoiding further tariff increases in December and resulted in some relief to those previously imposed. With trade tensions having eased, central banks left the year with a preference to assess and monitor rather than to act further – in other words, they'd like to pause unless forced to do otherwise.
-) These shifts in the narrative surrounding global growth, trade, and policy caused bond yields to drift higher into year-end. Bond markets still finished the year strongly but were well off the best levels seen during the summer months.

Performance

-) During the quarter, Class F of CI Global Enhanced Government Bond Private Pool returned -1.4%, outperforming the -2.6% return for its benchmark, the J.P. Morgan Global Government Bond Index.

Outlook

-) Heading into next year, with the easing of trade tensions and central banks remaining accommodative, we expect some continued improvement in growth for Asia (ex-Japan), as well as Europe, while we anticipate the United States to lag. This dynamic should keep interest rate markets contained to a range with modest upward pressure as growth overseas improves.
-) We would continue to view a more meaningful backup in rates as an opportunity to add duration as our best-case scenario for the global economy is subpar growth achieved only with accommodative central banks.
-) We will be closely monitoring confidence and trends in U.S. labour markets for any signs that indicate growth might not improve beyond stabilization. Another important driver of markets that we think could be a theme next year is U.S.-dollar weakness. We will also be watching this closely.

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