Hello welcome to multi asset hub with me. Mark colgate in this edition is brexit really beginning to bite on the uk economy on what's the outlook for european equities, but we start first with the u s is the party now over for growth stocks. The multi manager team at schroeder's certainly thinks investors should be heading towards the exit. Head of the team, marcus brooks points out that the u s trades at almost double the price sales multiple of the rest of the world premium ten times larger than its historical norm. He also notes the s and p five hundred market cap has risen six trillion dollars in eighteen months, with half of that coming from the tech sector alone in his view value is the investment style to back after its longest ever period of underperformance phil butler, multi asset portfolio manager at the credential notes. The snp fell some seven percent in october, but given the euro stocks fell the same amount on the hang sang nine percent. He sees this as a global, not a u s phenomenon, while u s economic earnings and growth rates of peking, he believes europe in asia are still fundamentally strong, so the credential has been adding to equities on the dips funding. This out of fixed income assets closer to home brings it remains the big issue, especially for manufacturing the uk manufacturing pierre. My data fell to fifty one point one in october. That's down from fifty three point six. The previous month output growth weakened while new order inflows unemployment. Both declined for the first time since july, twenty sixteen sachin surely portfolio manager at quilter and festers points out this happened at a time when sterling was weak, which would normally stimulate export orders. That said, appear my school above. Fifty indicates uk manufacturing is positive growth territory. Albeit lagging behind the likes of the netherlands at fifty seven on the us at just under fifty six. There are links toe all these stories under the player and what of the outlook for europe. Well recently david vickers, senior portfolio manager at russell investments, came into the asset tv studio to catch up with my colleague jenny ellis. Well over to europe now on dh a week first half of twenty eighteen for europe. But how did you see the rest here ? Playing out on indeed beyond. It's very easy to put european actually specifically in the hard to manage bucket, because as you rightly say, messes have been fairly perennially disappointed, at least in relative terms to other equity markets. And this, despite the fundamentals being pretty good, you have cheap evaluations. You have lower margins. You have reasonable economic growth that's now starting to surprise on the upside we've had good earnings. We have an accommodative monetary policy with super low rates relative to the rest of world and yet, as you say, european actress have persistently or least over a long period time. Underperformed certainly the u s to my mind, it's been held back by a whole host of exogenous factors, which have really killed the sentiment flows towards europe particular. When you speak to investors in the u s, they have a slight attitude of why bother because their market is doing so well, so we had trump trade again on clearly the the emphasis towards the european autos cause consternation for some of the manufacturers were then rolled around to the emerging markets ish youand emerging markets, our biggest source of revenues and growth for europe and they are for the u s we then had turkey and the contagion fears on more recently, we have it italian banks and budgetary concerns. There is always that has always been a shock, and so actually when one looks back over time. Certainly since two thousand fourteen europe has actually delivered the same amount or relatively the same amount of earnings of dividends and devon and growth of the u. S, but has spectacularly failed to rewrite to the same tune, hence the underperformance, but is actually delivered. And that's what's quite easy to put it in there. Slightly on take your slightly difficult. I want to put more rain because it hasn't performed, but if you believe like we do that those fundamentals will eventually out fixed value does outperform overtime expensive stocks, and we think you should have waiting's too wesley. The coast looks relatively clear. Going forward. We don't think the italian situation is a game changer, although it certainly is a watch point. The only thing i would say is that if one's making the call between europe and the us, one has to be a weather. They're not quite this safe. It's not quite apples without you being reductionist, you're boiling it down perhaps to european banks versus us, ted. So what i would says if you do boot, do believe in the tech sector and the growth that is, they're actually take that separately, but if you have a european stock in the u s stock that compete in the same industry on one is much cheaper and has those fundamentals we discussed, and you should put your money into that stock as opposed to the u s counterpart. But just be confident that it's not quite happy with that well, you mentioned the united states. Now there has been a lot of noise about a potential us recession, so have the rest increased for this. The clamour certainly has, and it's interesting that i think of months amongst economists and market practitioners that those risks and those noises have increased. But to invest is quite difficult to comprehend. Because we're talking about recession this coming forward at a time when us growth is very, very strong. Unemployment is very, very low on those trends of moving up and falling in the right way. We have inflation, but a moderate amount that is still currently under control. We have super earnings, growth, peak levels. We have margins that are not yet coming down, and we have capital year over year that is going on to about twenty percent of really nice, good environment. And so it seems a little odd that we should be talking about recession the problem being that as mr power pointed out economic growth comes at a cost, and the cost is higher rates. And that's where the recession rebounds comes into it, so currently next year, there is two and a half rate rises forecasted by the market way have the same view, but we actually think they might be upside risk if growth continues to be strong and that puts monetary policy into restrictive territory from being accommodated to being restricted to combat inflation onto temper growth. Now it doesn't necessary, mean as you move into restrictive policy, we enter recession territory, but you start to move towards that because restrictive policy cause growth cause unemployment, cause catholics and so on and so forth as when you enter the recession. And as we get stronger economic growth, those recession probabilities have to come in a little bit because of that very clear dynamic. I guess the other junk to that is if as we get higher interest rates would probably get a stronger dollar, which puts more stress on emerging markets in the global economy. Looks a little weaker at the same time, but it'll stands from the potential higher rate scenario, which actually offsets all that very good growth. It's coming through, but we don't think today it is a storm clouds are gathering and not above us just yet. So you do think there's runway, particularly after the last week's falls in equity markets and risk assets to make some more headway in terms of return. But those clouds of certainly coming forward. So finally, what does this all mean for port five years, i think the things we talked about quite long term themes. The gyrations, the volatility the downdraft quite frankly we had in equity markets last week have provided an opportunity teo reload the gun if you like so airport fellow today or back overweight risk on underweight duration following appeared where we were slightly under the's prison volatility are going to create that opportunity. And that was two thousand seventeen is gone. We are going to get a very steady smith path with volatility as rate rises as volatility comes in his thoughts of recession and trump trade coming to manifest we're going to get volatility, but today, as we speak, it makes sense for us to maintain an overweight position to risk, but not as overweight as we have been historically because we know that they're storm clouds our gathering being very candy. We don't know exactly when they're going toe the storm clouds are going to open and so unless overweight that we have been historically because the runway is short and that has been, but at least today were overweight risk assets using convertibles as we've always done. Is that way of capturing asymmetry in markets and today underweight duration following the self in markets. David, thank you thank you that's all from us for this month. Thank you for watching goodbye for now.