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Equities post losses as May begins

Global stock markets gave up some more of their recent gains in the latest week. European markets were a bit quieter due to public holidays, but this didn't stop some bourses on the continent from returning starkly negative outcomes.

The first Friday of every month is 'jobs day'. The US non-farm payroll is released and the latest report detailed that the US economy created the fewest jobs in seven months, 160,000. This trailed reported consensus expectations of about 200,000. The US market actually finished flat on Friday itself (though still down for the week) as the 'bad news is good news' dynamic appeared to kick in. In this scenario, this means that the Federal Reserve is considered less likely to raise interest rates if the economy isn't performing at a sufficient growth pace. And lower interest rates help stimulate economic activity; although it seems to be taking quite some time in the likes of Japan and parts of Europe, where ultra-low rates have been in place for quite some time.

So while the US stock market finished the week with a loss, it actually held up much better than many of its international peers. One exception, and perhaps proving the rule about lower rates, was the Australian market, which was among the very few developed markets to advance. Australian equities climbed as the Reserve Bank of Australia cut its key lending rate by a quarter percentage point.

Emerging markets saw their recent momentum stumble to a halt. That weaker than expected April jobs number may have rattled some investors' views about the robustness of the global economy, which is heavily reliant on the US to act as the engine for growth. Turkey was a particular laggard amid negative reaction to the resignation of the Prime Minister. The Turkish stock market fell 8%, the country's bonds sold off and the currency weakened.

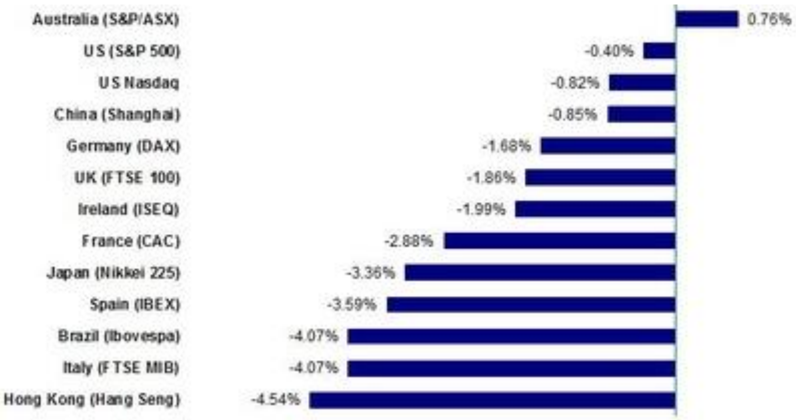
UK equities posted a loss for the third week in a row, not helped by the latest purchasing manager index that indicated manufacturing contracted for the first time in three years. The British pound also ticked lower ahead of council, assembly and mayoral elections, with observers awaiting results to determine if there are any pointers for June Brexit referendum. Latest opinion polls suggest that the electorate will vote to stay in the EU, but nobody quite trusts such polls since they got the general election outcome so wrong a year ago.

To be fair, forecasting can be difficult - even for observers with long experience of observing. At the start of the 2015/2016 Premier League season, 11 football writers at the Guardian newspaper offered their predictions of who would win the title. Needless to say, not one had Leicester City in the top spot. In fact, nine of the writers expected the club to finish in the bottom three and be relegated. And we've heard about the 5,000-to-1 odds on offer with the bookies last August. The consensus was very much that Leicester was going down.

Investors can take lessons from the Leicester win. First of all, just because everybody says something doesn't make it true. The wisdom of crowds can be of great help, but it does not mean you don't have to do your own research every now and again. Nobody wants to be the only one who is wrong, but as Warren Buffet has said: "be fearful when others are greedy and greedy when others are fearful".

An old saying also applies: "It's ok to be wrong; it's not ok to stay wrong".

A Week on the Markets



Source: Bloomberg Finance LP. Capital returns in local currency for the week to Friday 6 April 2016 Past performance is not a guarantee of future results.