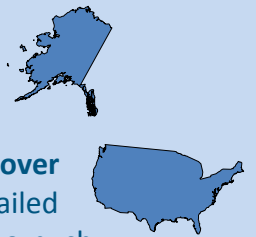


# The World After Q1 2017

## This time last year, the markets fretted about China.

Its stock market tumbled requiring substantial state intervention. Commodity prices fell as fears emerged about a global economic decline. One year on, **the World feels like a much calmer place but with considerable geopolitical concerns.**

The US is typically our first port of call. President Trump has taken office and **announced major spending plans and tax cuts.** This happened with a backdrop of very positive economic news: **consumer confidence hit a sixteen-year high, unemployment hit a forty four-year low** and manufacturing data was very positive. As anticipated, the Federal Reserve raised interest rates by 0.25%. US equities responded in kind with the broad **S&P 500 Index rising by over 6%** and the tech-heavy **NASDAQ gaining over 10%**. Markets did get a little jittery when the President's healthcare reform plans failed to make their way through Congress. This raised doubts regarding Trump's ability to push through his reflationary policies.



European stock markets have finally joined the rally with **Eurostoxx 50 delivering gains of 6.4%**. This was through a time of significant political uncertainty. There were initial concerns that the Dutch eurosceptic Party for Freedom would poll well but markets calmed as the centrist parties won out. Initial fears that Marine Le Pen's Front National would do well in the French presidential elections have eased. **Company earnings announcements were broadly positive and economic data ticked upwards.** The ECB made upbeat comments on growth expectations and inflation is finally showing signs of picking up from ultra-low levels.



**UK equities were up over 4%** even through the turmoil around the triggering of Article 50 by Prime Minister May. Initial predictions of doom for the economy if the Brexit vote went ahead proved unfounded. **Economic data has remained broadly positive** and inflation has remained under control. We also saw some interesting mergers and acquisitions activity such as the announcement that Standard Life would buy Aberdeen Asset Management.



Asian markets did very well but Japan failed to join the party. While stock markets in **Hong Kong and India gained over 10%**, **the Japanese Nikkei 225 lost about half a per cent**. Prime Minister Abe got renewed support for his leadership from parliament and he held talks with the US administration which were vital given accusations about foreign exchange manipulation during the election campaign. **Overall, company earnings announcements were positive with the exception of a weak property sector.**



While the US raised interest, there is very little prospect of rate rises in other major economies. **Bonds traded sideways for the quarter** but there were some interesting movements between markets. **Notably, concerns about French elections weakened their sovereign bonds versus German bonds.** Corporate bonds did somewhat better than their government counterparts. **Gold increased** as some commentators worried that inflation may increase. **The price of a barrel of oil slipped back** throughout the quarter.



Overall, stock markets have continued this extended bull run. **We have now passed the eight-year anniversary of the lows in 2009 and record highs are regularly breached.** **Global growth is predicted to be 2.7% this year** while inflation should tick upwards reflecting higher oil prices. We expect that the US will raise rates probably twice again this year. The key risks relate to European elections and a potentially more protectionist World.



While investors in funds that have stock market exposure have been well rewarded, **now is not a time to be complacent.** It is important that your investments continue to meet your needs and to reflect your attitude to risk.

**Given the time of the year, it might be appropriate to consider some “Spring cleaning” for your finances. As always, keep in touch via Life Online.**



### **Bernard Walsh**

Bernard has over 20 years' experience in life and pensions industry and has followed the ebbs and flows of the markets closely during that time. He enjoys Gaelic football and rugby when he's not reading the financial times.

He frequently writes here on Life online, using his knowledge and experience to put the greater world of investment markets into context. Nothing happens in the world of Investment and Pensions without Bernard knowing about it!

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