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Markets in a Minute

Independent Financial Advisers and Wealth Managers since 1999

June 2019 - Monthly Roundup of Previous Month's Market Activity

- Markets have endured their first negative month in 2019 after a blistering start to the year.
- Global equities are up roughly 10% year-to-date, having handed back around 3% in April.
- The major source of anxiety has been the escalating trade tensions between the US and China.
- President Trump's tweet on 5th May revealed the US administration intended to both raise tariffs on goods already suffering a penal import duty and levy fresh tariffs on new products.
- An additional source of concern is that US consumer goods will be more impacted by these additional taxes, raising the prospect of reduced spending from this crucial source of global demand.
- China is responding in typically robust fashion. Via state media, the leadership is readying the population for a 'Long March', a reference to the huge sacrifices made by the Communist Party in efforts to 'liberate' China some 80 years ago.
- Whilst startling, the immediate impact of these new taxes (and countermeasures) still only scratches the surface of global trade. It is fear of further escalation, however, or the inclusion of peripheral countries that is weighing on investor sentiment.
- Despite the heightened level of anxiety plaguing markets, history informs that those who allow geopolitical strife to dominate their investment strategy, will underperform.
- Fund managers we speak to feel there is no reason to worry about portfolios weighted towards equities given the globally coordinated move toward both lower interest rates and more generous fiscal policy.
- What is more, given the boost a US-China deal would provide for Trump's Presidential campaign, there is probability for such an outcome.
- There is also a high likelihood of a more concerted effort from China to stimulate its economy in the face of failing negotiations.
- No matter the outcome of the talks, however, it is difficult to see a path to higher equity prices without continued volatility, and investors should be prepared for this strain.
- **Fund managers we speak to advise a balanced asset allocation and a measured approach when dealing with geopolitical events.**

Period	FTSE 100	S&P 500	DJ Euro Stoxx	Topix	MSCI Asia sxJap	MSCI Emerging Markets
1M	-2.86%	-3.28%	-2.44%	-1.57%	-5.51%	-4.19%
3M	2.62%	4.35%	5.06%	2.53%	-0.35%	0.39%
6M	5.01%	1.74%	6.15%	-2.78%	2.16%	2.49%
YTD	8.80%	11.77%	10.60%	4.79%	4.86%	5.13%
1Y	-2.57%	9.24%	0.57%	-6.57%	-6.17%	-3.54%
2Y	3.53%	21.16%	0.50%	4.92%	6.98%	7.03%
3Y	29.97%	60.25%	37.24%	37.27%	54.74%	54.40%
4Y	20.63%	71.47%	30.59%	36.28%	34.78%	34.27%
5Y	27.50%	110.51%	31.39%	74.17%	63.74%	47.87%

Data source: Bloomberg (performance numbers are all sterling based and gross of dividends)

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