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Recent market turmoil

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Global equity markets have suffered three consecutive days of losses and heightened volatility. Suddenly, the global equity market highs and early year optimism about prospects for further gains in 2018 appear over-egged.

So should we panic? Let us look at the evidence. We know that the stimulus supplied by the world's Central Banks is waning and that helped by better recent global growth rates, and a little bit more inflation, higher bond yields (and implied higher interest rates) have pushed up to levels which have hurt investor confidence.

This all sounds rather pessimistic and given that stock market valuations are typically quite high, a thick slice of caution sounds sensible. However, there are some positives out there.

The aforementioned better global growth and a US dollar which year-to-date has continued to fade, encouraging American investors to seek opportunities in both the European and emerging markets. So put it all together, and there is some good and some bad out there... and given the euphoric conditions of much of the last few months, a rise in financial market volatility levels from extremely low levels is not unreasonable.

So what to think about the rest of the year? A key thought is that there are two really influential investment themes out there that have to be considered. Economic change and reform - changes by leading politicians including our own Government's efforts to manage the Brexit process - matter more and more in a world where Central Banks are not stimulating so much. This has been described in some of our other publications over recent months elsewhere as being like a baton relay handover in the Olympics. Will the professional politicians drop the baton or not?

Additionally, we are in the midst of another quarterly corporate earnings data dump... and for any stockpickers who focus on finding attractive and interesting large capitalisation equities from developed stock markets around the world this is much more of an opportunity than a threat.

> There are some positives out there

Last week in our regular first of the month publication (and looking ahead to the rest of the year) we wrote:
'there will undoubtedly be bouts of volatility and the opportunity cost of cash on the sidelines is a lot lower than in prior years but it is certainly not a completely vexing backdrop for investors'.

Despite the moves of the last few days this still seems a reasonable perspective for diversified, medium-term investors.

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