



Our thoughts

Market observation

A reality check for investment markets

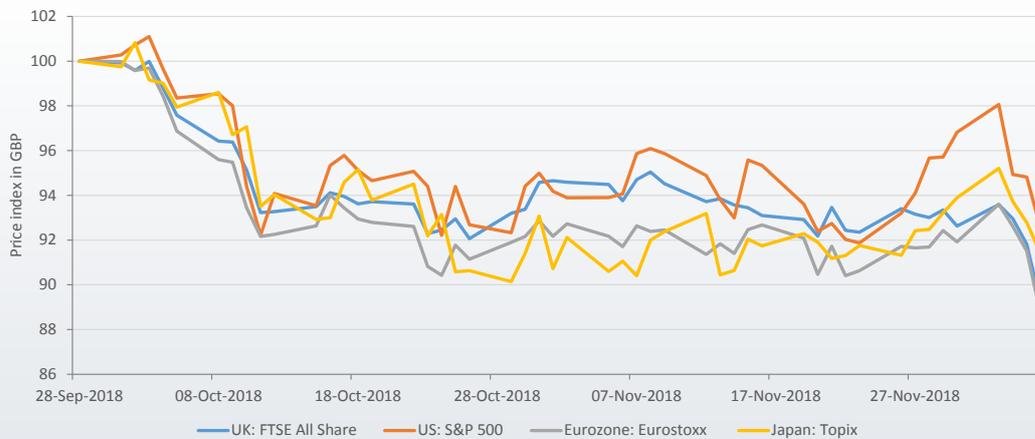
At a time when Brexit-focused headlines dominate the airwaves, investors could be forgiven for thinking that this week’s market turmoil stemmed from purely British issues. However, a glance at other world markets tells a different story.

Over the past few days, a broad-based liquidation has taken place across developed markets. While there is no obvious single trigger for this downward rush, we believe it may be symptomatic of a general reality check following a precious rush of optimism. Earlier this week, markets reacted hopefully to suggestions of apparent progress in US-China trade negotiations. This came hot on the heels of seemingly more accommodative language from the US Federal Reserve (Fed Chair Jerome Powell had implied a less dogmatic approach to interest rate rises). In recent days, though, other senior Fed members have undone some of Powell’s accommodative language, reiterating the Fed’s ongoing data-focused trajectory, while the inflammatory arrest of the CFO of Chinese tech firm Huawei (in Canada, on US orders) has dampened hopes of better US-China relations.

At this late stage in the cycle, we continue to watch closely for any changes in underlying economic fundamentals. On this occasion, however, we do not believe that we are witnessing a significant shift in fundamentals - more a cold shower on what had appeared to be good news earlier in the month.

Recent market turmoil has not been limited to the UK alone

Major developed world indices, in sterling, rebased to 100 (as at 28.09.12)



Past performance is not a reliable indicator of future results.

Source: Bloomberg, Macrobond

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