



CLIENT UPDATE

KING FINANCIAL PLANNING
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Dear all,

We wouldn't normally issue a client update so close to the last one being sent out in December. However, markets have been very volatile and we've seen significant falls around the world. To put that into context below is a list of the major markets around the world since the start of the year to 31st January.

S & P 500	7.60%
SSE (Chinese composite Market)	7.46%
Euro Stoxx 50 (largest 50 companies in Europe)	3.36%
FTSE 100	0.36%

As you can see some significant falls especially in the US and China, for once the UK market has actually done quite well compared to other parts of the world.

The reasons behind these falls are many. We have the issue with inflation which everybody hoped would start to fall by now, but as yet this hasn't happened. This means that interest rates must rise to try to dampen down spending. We have seen large institutions profit-taking especially from the technology sectors in the States and there has been a real crackdown in China and the Far East on some of the larger organisations with regard to anti-money-laundering and company procedures! Finally, we continually hear of the problems in the Ukraine and the possibility of war and all that entails. Oh, and we still have Covid to deal with!





So, looking into why markets are so volatile you can see there are a range of different problems. They are also connected in many respects. So as an example, a war between the Ukraine and Russia will cause the price of oil, gas and wheat to greatly increase from what are incredibly high prices already. This has a knock-on effect to us all and so higher prices mean higher inflation figures, which mean interest rate rises.

So, having been doom and gloom, what can we expect from the rest of the year? I think in the short-term more volatility with markets swinging from big highs to big lows quite quickly. Friday was a good example where the S&P 500 recovered 2.5% in one trading session. Looking at interest rates as previously mentioned, these will go up, but they will still be at very low levels. Predictions in the UK don't see the base rate increasing much past 1% for the next couple of years. US rates will go higher but again we are not looking at the 5-6% base rates we had in the early 2000's.

Nobody can predict what will happen with Ukraine and Russia, however an outcome that does not see war probably brings with it falls in commodity prices and gives the markets a little more confidence for the future. There is still a lot of money in the markets waiting to be used and market commentators believe there will be a lot of mergers and acquisitions and large investment made by corporates. This should bolster prices in the second half of this year. The hope would also be that as we start to hit spring and summer Covid becomes under control we can start to live more normal lives. I was in London last week and it was very quiet, we need people back at work spending money!

So, after all of that many people will ask what should we do and my answer is not a great deal! If you feel comfortable with the levels of risk you are taking, then my belief is the market will come through this short-term volatility and move forward in the second half of the year. If anybody has any questions, please feel free to make contact with me.

James