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CLIENT UPDATE

The Year So Far!

KING FINANCIAL PLANNING
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Dear all,

Wow! Can't really think of another way of putting the last six months for world events. Since the start of the year from an investment perspective we have seen tech stocks fall in January, the start and continuation of the Ukraine war, lockdown again in China due to Covid, inflation rising to numbers we haven't seen for over 40 years, and of course we have had Boris and his merry men and women!

Overall, I'm not sure in my lifetime I've ever seen such a difficult environment to navigate through and find a positive outlook.

All of these issues have taken their toll on world markets and if we look at the major indices around the world as of 18 July, the FTSE 100 is down 4% (one of the best performing markets this year), the S&P 500 is down 20% and Euro Stoxx 50 (top 50 shares in Europe) is down 19%. On top of this due to rising interest rates we have also seen what we would describe as the safer investments such as government bonds also fall in value. This could be described as the perfect storm as far as markets are concerned.

One of the benchmarks that we use to see how clients' investments are doing is from ARC who get data from nearly all of the investment managers in the UK, aggregate them and then provide us with the average performance in different sectors of the market, based on different levels of risk. For the first six months of the year to the end of June we have seen the Cautious sector fall by 6.9%, the balanced sector by 9.4% and the equity sector by 12.7%. Not great reading whether you are a low, medium or high-risk investor so far this year.

All pretty much doom and gloom, but I do believe that things are starting to slowly turn in the right direction. The price of oil has fallen from a high of almost $130 a barrel in March to $103 as of 18 July. This has not yet filtered into petrol pumps but will have a significant effect on energy prices around the world, which will of course help reduce inflation. We have seen the Fed and indeed the Bank of England make noises that they may not increase interest rates quite as quickly as first thought. This should leave more money in the markets and hopefully see some upturn.

One of the big issues that arose partly due to Chinese lockdown's this year has been the availability of various goods coming into this country and around the world. Things seem to be easing in China and slowly the availability of various items that are essential for industries such as car manufacturing, building and construction etc. seem to be getting through. This again will help with the inflation figures.

Looking closer to home, we of course have the current issues at Westminster. Whatever your thoughts on Boris, the uncertainty of where we were going as a country has not been good. Over the next few weeks we will have a new Prime Minister which therefore gives us more certainty for people to plan for the future.

From an investment perspective it is impossible to ever say we're at the bottom of the market, but my view would be that we are not too far away. Markets fall and then recover and push on, that has been the history of stock markets for many years. I see no reason why this is just not another part of that history and actually we could see some positive returns for the rest of this year (but no promises!).

My advice as ever is not to panic. In a perfect world we would invest at the bottom of the market and take our profits at the top. Sadly nobody knows when either of these eventualities will happen. Everybody's circumstances are different, the levels of risk they are prepared to take on, the timescales as to when they need their money etc. This is hopefully what I'm here to help people discuss and put long term plans in place for. As ever if you need anything just let me know.

James