

# Market overview.

Welcome to Market Overview – our summary of recent events shaping global markets, and how our own Investment Committee has responded to them.

Every six months, we will send you Market Overview, to keep you right up to date with how your investments and the markets are performing. You will also be able to find the latest version online at [jesellars.co.uk](http://jesellars.co.uk).



## A rollercoaster year

It is fair to say, the last year has certainly had its share of ups and downs, with political uncertainty playing a prominent role in the movement of the markets.

### In the UK...

Much of the last year was dominated by the EU referendum, with the result causing a dramatic fall in the pound. At the start of this year, the UK suffered a small fall in the FTSE World Index. However, the UK economy continues to grow as the consumers continue to spend, but the effects of the weaker pound are now starting to feed through to inflation.

### In the US...

The uncertainty over the Trump presidency certainly affected the US markets last year, but the start of this year saw a modest rise in the FTSE World Index. The election of Donald Trump has resulted in the markets anticipating less regulation, tax cuts and a programme of infrastructure spending, with inflation expected to rise as a result.

### In Europe...

At the start of the year there was a small FTSE World Index rise for Europe as consumer inflation expectations rose. Politics again took centre stage, with the French presidential election resulting in a surge in the markets and a sharp jump in the Euro. Although a number of European elections are still to come, political uncertainty is receding.

## Our Investment Committee

How has our Investment Committee responded to the highs and lows of the markets over the last year?

### The decline of the pound

While markets have risen in response, inflation has suffered the side effects.

We have slightly trimmed UK exposure while markets have been high, allocating proceeds to Index Linked Gilts. These are effectively loans to the UK government, with the interest and redemption amount linked to the rate of inflation. As inflation starts to creep up, this should offer a degree of protection.

### The Trump presidency

US markets are near all-time highs, almost certainly pushed on by Trump's pro-business policies. We believe however that the US markets may be running out of steam. Fears over Donald Trump being impeached and a lack of clarity over some of his policies are the cause of our main concerns.

### The attraction of Europe

Sentiment towards Europe appears to be in the midst of change, with fears over far-right parties gaining power starting to ease. Recent developments, such as Gert Wilders losing in the Netherlands and Macron winning in France, further support our notion that Europe is an attractive area to invest in. We are also looking to capitalise on the rotation of funds appearing from the US into Europe.

### The infrastructure trend

Over the last decade, world governments have attempted to create growth through quantitative easing and low interest rates. Unfortunately, this hasn't trickled through to the wider economy. The next tool for governments to use is investing in infrastructure – this will result in job creation, which in turn will allow people to spend more and the economy to grow. We have invested in a number of funds and shares to capitalise on this trend.

### The bricks and mortar funds

The falling pound has given rise to commercial property discounts for foreign investors. Among fears of the finance sector relocating to Europe, we have seen a number of blue-chip companies relocating to London, as property and staffing costs are far cheaper in their domestic currency. Currently, we are favouring bricks and mortar funds, as they tend to offer less volatility than share-based ones.

**If you wish to discuss your investments, or any of the points covered in Market Overview, please get in touch.**

J Edward Sellars and Partners Ltd. is regulated by the Financial Conduct Authority No. 116320. Our registered office is The Drive House, Manor Farm, Kenmoor Rd., Clevedon, BS21 6TZ.

