

June 2017

Market Bulletin

Downton & Ali Associates



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This month's update comes to you from Baillie Gifford, manager of the Omnis Asia Pacific Equity Fund.

Investment markets around the world have shown signs of benefiting from a general improvement in the global economic backdrop and continued low interest rates in many developed countries. However, there has been a high level of volatility driven by a number of surprising political outcomes in the US, UK and other parts of Europe.

Our outlook for the global economy remains moderately optimistic. This view is based on both developed and emerging economies continuing on their upward growth trajectory. In the face of rising interest rates and political uncertainties, levels of market volatility are higher than we have seen in the past few years. Major equity and bond markets have delivered positive with equities in particular performing well and sterling investors benefiting from a weaker pound.

US equities, bonds and the dollar have all been strong since Donald Trump's surprise election victory, reaching several new highs, as markets have been buoyed by a labour market which is near full employment, and high levels of consumer confidence.

In Japan, exporters remain resilient despite an unhelpful strengthening of the yen. Improvements in Japanese corporate governance are leading to an improved attitude towards shareholders, with several companies increasing their pay-out ratios and the overall level of share buybacks and dividends rising strongly. As long-term investors, we tend to ignore swings in sentiment and we believe there are definite grounds for optimism.

Eurozone growth outpaced that of the US in the early part of 2017 and, although the recent focus has been on politics, most notably the rise of new French President Emmanuel Macron, we remain confident on long-term prospects for many companies in the single market trading area and in other parts of Europe.

Emerging Markets are benefiting from the emergence of a new middle class and this group's spending power is throwing up attractive investment opportunities in areas such as India and Vietnam, while a recovery in the price of oil and other commodities is also proving helpful for returns.



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The UK has arguably been the most volatile of all countries in an economic and political context. Sterling and equity markets have experienced greater than normal volatility as a result of the triggering of Article 50 following the so-called Brexit vote, and the hung parliament following the General Election. However, with the majority of UK-listed companies earning the bulk of their revenues abroad, currency weakness is having a positive impact on returns.

Past performance is no guide to future performance and may not be repeated. The value of your investment, and any income derived from it, may go down as well as up and you may not get back the full amount invested.

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