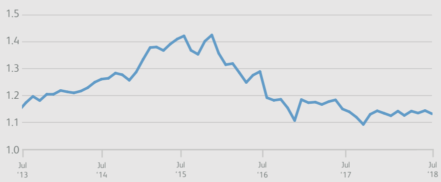
2plan®
wealth management

financial Newsletter

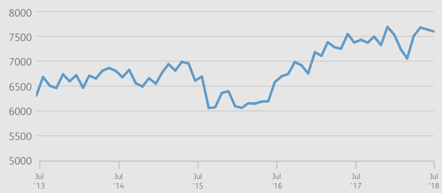
Edition 28 – Autumn 2018

What is the British Pound worth vs. Euro?



What is the British Pound worth vs. Dollar?

FTSE 100 Chart



KEY FACTS & FIGURES – The UK Economy		
BoE Base Rate	0.75%	August 2018
Unemployment	4.2%	May 2018
Inflation (CPI)	2.3%	June 2018

Agenda

Base rate

The Bank of England's Monetary Policy Committee voted to increase the base rate to 0.75%. This is only the second increase in base rates in the last decade.

UK economic outlook

- UK GDP grew by 0.2% in the three months to May
- The monthly GDP growth rate was flat in March, followed by a growth of 0.2% in April. Overall GDP growth was 0.3% in May.
- Growth in consumer-facing industries (for example retail, hotels, and restaurants) has been slowing over the past year. However, in the three months to May growth in these industries picked up, particularly in wholesale and retail trade. However, contraction in the production and construction industries meant that they each had negative contributions to GDP.
- Manufacturing growth in the three months to May of negative 1.2% contributed negative 0.12 percentage points to headline GDP. This was the third consecutive fall in manufacturing, and was driven by weak exports.

Inflation

- The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 2.3% in June 2018, unchanged from May 2018.
- Rising prices for motor fuels and domestic gas and electricity produced the largest upward contributions to change in the rate between May and June 2018.
- Falling prices for clothing and games, toys and hobbies provided the largest downward effects.
- The Consumer Prices Index (CPI) 12-month rate was 2.4% in June 2018, unchanged from May 2018.

UK unemployment

- Estimates from the Labour Force Survey show that, between December 2017 to February 2018 and March to May 2018, the number of people in work increased, the number of unemployed people decreased and the number of people aged from 16 to 64 years not working and not seeking or available to work (economically inactive) also decreased.
- There were 32.40 million people in work, 137,000 more than for December 2017 to February 2018 and 388,000 more than for a year earlier.
- The employment rate (the proportion of people aged from 16 to 64 years who were in work) was 75.7%, higher than for a year earlier (74.9%) and the highest since comparable records began in 1971.
- There were 1.41 million unemployed people (people not in work but seeking and available to work), 12,000 fewer than for December 2017 to February 2018 and 84,000 fewer than for a year earlier.
- The unemployment rate (the number of unemployed people as a proportion of all employed and unemployed people) was 4.2%, down from 4.5% for a year earlier and the joint lowest since 1975.

Are health & retirement readiness related?

"Health is wealth" goes the old saying, for what's money without health and happiness? But, could the two be more connected than first thought? While getting older is inevitable, how well we age is something we can influence. From our food to our fitness and our workload to our waistline, they'll have an effect on how we age. Have you ever considered that the way you live might have an effect on your retirement?

Healthy body, healthy retirement?

Could just one regular healthy activity improve your retirement readiness? And if you adopt several – such as regular exercise, eating well, meditating or avoiding stress – could you rank even higher? According to our global survey*, people who have a healthy lifestyle are more likely to take more steps to prepare for retirement than those who don't. The survey showed that people who take care of their health have a more positive outlook about their retirement, compared to those in fair or poor health.

To top it off, they're also more aware of the value of their retirement savings. Indeed, those in excellent health (46%) are over three times more confident in achieving a financially comfortable retirement than those in fair health (13%).

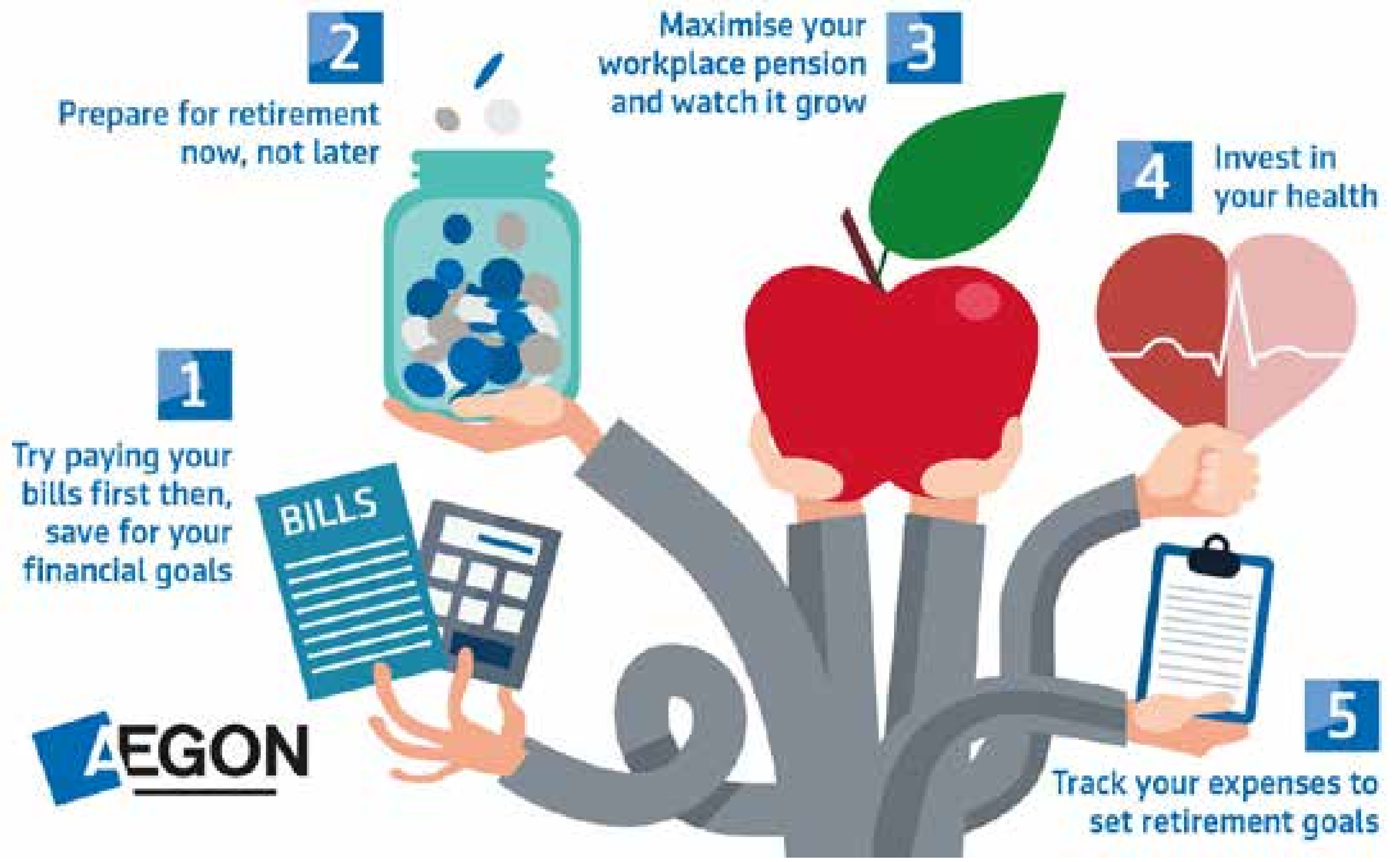
Workers in excellent health (78%), are more aware of the need to plan financially for retirement than workers in poor health (63%). Achieving retirement aspirations requires more than saving, investing and planning; it also depends on staying in good health.

The relationship between financial security and health

Retirement planning has traditionally focused very heavily on finances, without sufficient consideration of health. Maintaining good health and being financially secure is key to a successful retirement. Health has the potential to have a major impact on people's retirement plans.

Developing good habits

Finding ways to develop both good savings habits and a healthy lifestyle from an early age are key factors for a successful retirement. We now know that those who adopt multiple healthy activities are more likely to be financially prepared for retirement than those who don't, but what next? Health (or lack of it), can have a major impact on people's retirement plans. Life expectancy has improved dramatically in the last few decades and many people will now live much longer than previously expected. According to the Office for National Statistics, a 65-year-old man in the UK will live for an average of 18.5 years, while a woman of the same age can expect to live for 20.9 years**. However, this could vary hugely depending on your health. Could a happy retirement be a few steps, and possibly a few lifestyle changes, away?



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AEGON

Source: Aegon Retirement Readiness Survey 2017: Successful Retirement - Healthy Aging and Financial Security.

Five golden rules for peak financial fitness:

1. Instead of spending some money, paying your bills and saving what's left, try paying your bills first, save for your financial goals and then consider what's left as 'disposable' income.

2. Prepare for retirement now, not later. While retirement might seem like it's a long way off, the later you start saving, the more you'll have to save and the harder it could be.

3. Maximise your workplace pension. A workplace pension could form the core of your pension savings so make the most of what's available to you from your employer and your scheme.

4. Invest in your health. Good health gives you the flexibility to stay in the workforce longer and benefit from your employer's pension contributions.

5. If you don't know what's coming into your account and what's going out, chances are you don't know how much you're left with to save. Tracking your expenses will allow you to set retirement goals. If you need help aligning your finances with your aspirations, a financial adviser will be able to recommend the best course of action for you based on your circumstances.

If you need a hand planning your retirement Aegon's Your Retirement Planner tool is a good place to start. Visit www.retiready.co.uk/options

At Aegon it's our mission to help the UK achieve a lifetime of financial security. We've led the way in innovation that can make people's financial assets work smarter as well as harder. From online technology that gives one-stop access to a universe of investment opportunity – to retirement products that make wealth planning simple, easy and fulfilling – we're dedicated to getting people closer to their financial goals every day. Speak to your 2plan adviser to find out more.

Author: Alistair Welham, Head of Marketing Communications, Aegon UK

* Successful Retirement – Healthy Ageing and Financial Security – The Aegon Retirement Readiness Survey 2017
**Office for National Statistics – National life tables, UK: 2014 to 2016

The Architas mid-year outlook – risks and opportunities in 2018

The first half of the year brought a dose of normality to investing. After two years of exceptionally low levels of ups and downs in the markets, 2018 has seen a return to more normal levels. We believe this is a healthy sign. With markets having such a strong run in 2017, a dip in prices at some point this year was widely expected, and we saw this as early as January. Despite this 'market correction', we believe the overall global economic growth outlook remains relatively upbeat if a bit weaker than at the beginning of the year. Although we've seen a slight slowdown in growth indicators, we don't think they represent the start of a recession.

Going into the second half of the year there are a number of positives. Companies are generally in good shape with strong earnings and low default rates; inflation has not increased as much as people anticipated and geopolitical risks seem to be relatively contained. And following the drop in prices in many equity markets this year there are now new buying opportunities.

Cautious optimism

Of course, it is important to remember there are always risks to be aware of. As part of our process when we are selecting what goes into our funds, we identify key risks we think have the potential to disturb markets. Three of these are highlighted below; all of which we have had a taste of already! On the positive side, we take a look at three asset classes we believe could do well this year.

Top potential risks and opportunities outlook

Risks – top three risks we have identified for markets:

1. Trump

The Trump administration continues to be a major risk. Markets don't like uncertainty! His frequent policy changes and growing conflicts with traditional and less traditional allies have created an environment of doubt. Changing relationships between countries make it difficult for companies to make long-term plans. And fears of a trade war would impact company earnings, inflation rates, unemployment and more.

2. Brexit

In the UK, political uncertainty prevails – still. While it is very difficult to forecast the eventual outcome of Brexit, we believe it will continue to hurt consumer and investor sentiment. In such a market environment and with inflation not rising significantly, the Bank of England is likely to remain cautious about raising rates too quickly with one rate rise probable this year. In terms of investing, we have a preference towards buying funds with exposure to internationally driven FTSE 100 companies. Investing in companies that earn profits from outside the UK can help to defend returns if markets react badly to Brexit related news.

3. Strengthening dollar

A significant trend that has materialised has been dollar strength, compared to many currencies, as US interest rates rose. This has had the most pronounced effect on emerging market economies, a group of countries where most borrowing costs tend to be in dollars. Emerging market equities have fallen the most over the year so far and if this strength continues it could affect emerging markets badly.

Asset classes we like:

1. European equities

Europe is still in expansion with rates of growth in business activity up, and new orders and employment increasing and corporate earnings looking particularly robust across a number of sectors. It is not all rosy though as the macro situation has weakened slightly and there is a level of political uncertainty in Europe with all of the discussions on immigration. Despite this, we still believe that from an earnings perspective and a valuation perspective there is an opportunity for outperformance.

2. Defensive assets

Overall because we are cautious about the market environment we like assets that can defend a portfolio in times of market stress. These assets can provide some protection against large potential falls. These include alternative assets. We continue to put emphasis on the importance of alternatives as a valuable source of diversification, given their low correlation to both equities and bonds. On the equity side, we are looking for funds which tend to be less susceptible to overall market movements.

3. US equities

If we were to pick a third asset class to be overweight in at the moment it would be US equities where sentiment remains positive, company earnings are growing, unemployment is falling and the economy is doing well. There is a stumbling block though as we believe stock market prices are too high to make us overly enthusiastic about buying.

What does this mean for investors?

Our view is to remove unnecessary risks for the road ahead. We suggested a few months back that there will be more volatility. That has happened, and we believe it will continue. While it can be unsettling at times, we would urge investors not to panic; crucially markets are not a barometer of the global economy which we believe to be fairly healthy. As long-term investors rising volatility should not stop you from being invested.

The value of investments and any income from them can go down as well as up and is not guaranteed. You could get back less than you originally invested. Past performance is not a guide to future performance. The views expressed within this article are those of Architas, who may or may not have acted upon them.

Are you selling yourself short?

With inflation firmly back on the economic agenda, will the life protection you purchase today fully deliver on your expectations tomorrow?

Here's a scenario we may not have considered a couple of years ago, but one which is now entirely feasible, especially in today's economic climate: let's say you purchase £100,000 of Whole of Life cover today. In 20 years' time, no doubt that's the sort of buying power you would still expect. But the reality is, it could only be worth just over half of that amount[1], if left to its own devices. Now, I don't know about you, but I wouldn't like to come to that realisation later in life.

The culprit, of course, is inflation. Despite a negligible drop last month, the Retail Price Inflation has stubbornly remained around 3% for the last three years, with the Bank of England expecting it to remain around current levels for the coming years as well[2]. Even if we follow longer term trends, the Retail Price Inflation rate has still averaged 2.58% a year since 1989[3], more than enough to make a dent in your cover in the future. In other words, we owe it to ourselves to start factoring in an element of forward planning in our efforts to protect future value. That element, in a word, is indexation.

So what are the benefits of indexation? The key advantage is one of protected value: at the point of paying out, you can have the absolute knowledge of knowing your buying power remains entirely intact.

While that covers the purely monetary side, the added benefit of protected value is the incalculable peace of mind it also offers.

Particularly in the case of Whole of Life cover, indexation makes very good sense as you get older, because as mortality and morbidity risk increases, it becomes progressively harder to get top-up protection later in life. Indexation avoids this need for top-up cover, and you also don't need to undergo additional medical underwriting – a pretty big benefit in itself.

I imagine the difference in affordability between indexed and non-indexed plans can be noticeable. But on the other hand, at a time when the outlook for inflation is uncertain for some time to come, can you really afford not to have it?

For more information speak to your 2plan adviser.

Author: Deepak Jobanputra – Deputy CEO of Vitality Life

[1] http://www.whatsthecost.com/cpi.aspx (2018)
[2] https://www.bankofengland.co.uk/-/media/boe/files/inflation-report/2018/february/inflation-report-february-2018.pdf
[3] https://tradingeconomics.com/united-kingdom/inflation-cpi (2018)

A little light reading

Maybe you were one of the lucky ones that didn't have their email inbox flooded with sycophantic messages asking you to 'let's still be friends' or 'don't let's say goodbye like this'.

Yes, 25th of May has come and gone, the world hasn't stopped spinning but one thing has changed and that's how all our personal details should be used and looked after! GDPR, four letters that were almost ranked with The Millenium Bug, caused chaos and panic with so many companies that had (pretty much) no idea how to continue conducting business with us!

In the cold light of day, the ones who just didn't get it, gave us all the opportunity to simply ignore a totally unnecessary 'opt-in' message and now they have fewer people they can talk to. A fairly expensive mistake and one of those that will go down as a classic how not to engage with your valued customers.

But putting that to one side, the new Data Protection Act 2018 (as the UK government has proclaimed it) is a good thing for all of us. Companies need to get their act together and show that they are responsible in what they collect from us and what they use it for.

It also underlines the fact that our details are (sometimes) being used for far more than we actually realise. Take the recent Cambridge Analytica story where multi millions of people's details were accessed illegally for political purposes. Or Yahoo in 2014, 500 million records were hacked, CarPhone Warehouse were fined £400,000 in January for allowing personal details to be unlawfully accessed….the list goes on.

What it does highlight is the fact that the internet, in general, is a very unsecure place to put our valuable details.

This isn't meant to be a scare story but we should all be that little bit more vigilant with what we do and say, not just on email messages but social media too. It's an inexpensive way to send private details to someone but so is a postcard. Would you write your bank account details, date of birth, passwords on one and post it ? Anyone could read it. Well they can too in an email or media message.

Once you press send on your carefully crafted message it could float about the internet anywhere in the world and be picked up by nasty characters that are always on the lookout for unsuspecting providers of card details, bank account numbers, passwords and lots of other valuable snippets they can sell!

Here at 2plan it's difficult not to worry a little about, not just the business and our advisers but all our clients and to find ways of keeping the nasties at arms length.

Think about what you want to send and how. Maybe break up the details into smaller chunks and in several messages. If you are a little tech savvy, get to know about encryption. It's not the world of 007 anymore, we can all use clever bits and pieces to be more secure.

And just before I get down from my soapbox…….never open suspect emails from someone you have never heard of. There isn't $32 million waiting for you if only you send $500 first by Western Union to your long lost uncle, Professor Xandu in Outer Mongolia.

Seriously though, look after your personal information. It's becoming an increasing valuable asset that too many people want to get their hands on just like your investment portfolio!

Written by 2plan wealth management

The State Pension: two separate systems

The first State Pension in the UK was introduced in 1909 and the lucky recipients received just five shillings (25p) a week once they were over the age of 70. Thankfully, the amount has increased considerably since then and you can now receive up to £164.35 per week under the latest scheme. As such, the State Pension remains an important element of most people's income in retirement. However, your entitlement and the exact amount paid to you depend on various factors and the picture is clouded by the fact that the State Pension changed in 2016.

If you reached State Pension age before 6 April 2016 you fall under the old 'basic State Pension' system. Anyone reaching State Pension age on or after this date qualifies for the new 'single tier' State Pension (effectively men born on or after 6 April 1951 and women born on or after 6 April 1953). There are a number of key differences between the two systems, although transitional arrangements aim to ensure that no one is disadvantaged by the move to the new rules.

The main differences are as follows:

1. The maximum payment for the new State Pension is currently set at £164.35 per week as opposed to £125.90 for the old scheme. However, the annual increase for both schemes is based on the government's 'triple lock' commitment. This guarantees to increase the State Pension each year by a minimum of either 2.5%, the rate of inflation (CPI) or the rate of average earnings growth.

2. It was possible to boost your pension under the old system through the additional State Pension. This extra payment can be based on contributions made to three separate schemes – the State Earnings Related Pension Scheme (SERPS), the Second State Pension and the State Pension top up. These were in place at different times and you may have contributed to more than one (as well as the Graduated Retirement Benefit scheme, which preceded the additional State Pension).

3. You now need to accumulate 35 qualifying years of National Insurance (NI) contributions or credits in order to obtain the full State Pension (30 qualifying years were needed previously).

4. You need to accumulate at least 10 qualifying years to be entitled to <u>any</u> amount (only one year was needed under the old system from 2010/11).

5. You can no longer claim based on your spouse's/civil partner's NI record (except if you're covered by transitional protection). In most cases, therefore, your entitlement to the new State Pension is based entirely on your own contribution record.

This last point is very important. Under the old system, if a spouse/civil partner hasn't made enough NI contributions to qualify for at least 60% of the basic State Pension, it may be possible for them to claim a pension based on their spouse's/civil partner's NI contribution record. The old rules still apply if you reached State Pension age before 5 April 2016, but you can only use your spouse's/civil partner's NI contributions made up to and including 2015/16 to improve your entitlement.

Checking and boosting your entitlement

You can check your entitlement to the State Pension through the government's online service or by requesting a statement. An estimate is given based on your current NI contribution record and on the assumption that you'll make contributions up until you reach State Pension age.

If you have a shortfall in your NI record, meaning you may not qualify for the full State Pension, you can consider making voluntary contributions (eligibility rules apply). You can also increase the amount you'll receive by choosing to delay your claim (this is known as deferring your State Pension). This isn't an option if you're on certain benefits or living overseas though. Deferment is normally possible even if you're already claiming your State Pension, although this can only be done once. The increase you'll receive depends on when you reached State Pension age (the system is more generous for those who reached this age before 6 April 2016).

Taking advice is important

Deciding to make voluntary NI contributions or electing to defer your pension isn't a straightforward choice though – there are many things to consider. You should therefore talk to your 2plan wealth management adviser before making any decision and they will be able to work with you to determine whether either option is right for you. Indeed, given the intricacies of both schemes, please talk to your adviser if you have any queries about your entitlement and the amount you are likely to receive from the State Pension.

Author: Lesley Davidson, Associate Director – FundsNetwork Strategic Accounts

Now there's a 'better' way

From the moment we start walking and talking, we develop hopes and dreams.

We go to school, maybe university or college, then boom! – it's welcome to the world of work. We buy a house, banish our youthful ways (well, mostly) and settle down. We may have children too, and build a nest egg for the future.

But what if life doesn't go to plan?

The truth is no one knows what's just around the corner. That's why, at Guardian, we offer a range of covers designed to protect you, and those who depend on you, from the financial consequences of illness and death.

Depending on the cover you choose, protection insurance pays out a cash lump sum or a monthly income if you die or get critically ill. Making sure your loved ones are left with the family home and a comfortable lifestyle, rather than debts and financial worries.

Why Guardian?

You might recognise our name, we've been around for quite a while. Guardian has a long history helping to protect families since 1821. We may have changed the way we look since then but we still believe that nothing is more precious than those we love.

A lack of trust in the protection insurance industry means too few people protect themselves and their families. Working with Financial Advisers, we mean to change that. We're re-entering the protection market this year with a single ambition: for every family to have protection that they truly believe in. We aim to grow trust by giving customers' certainty – and we'll do that by challenging 'typical' protection norms and creating a new, 'better' way. The Guardian way.

Our brand promise is 'Life. Made Better.' – we aim to make life better for everyone. Your life will be made better for knowing that you, and your dependants, have cover specifically designed to never let you down.

How do we make life 'better'?

That's the question we asked ourselves. Armed with a blank sheet of paper, we set about challenging the status quo. We understand that protection products can seem complicated, full of jargon and ambiguous. This makes customers feel that policies are designed to put the provider's interests before their own. We think you deserve better.

For us, 'better' isn't about changing one big thing, it's about changing lots of little things that collectively make a big difference. Here are just two of the ways we're challenging 'typical'.

1. Crystal-clear critical illness definitions

We use crystal-clear policy wording. Typically, providers expect you to understand complex policy wording and medical terminology that makes it difficult to know what you're covered for, or not. If you've had a heart attack, for example, you want to know you'll get a payout. You don't want to be told that your heart attack wasn't severe enough, so you can't make a claim!

In most cases, we don't ask for detailed medical evidence. If a UK Consultant tells us you've got a critical illness – we pay out. After all, they're the experts.

Here are a few examples:

- Heart attack: Typically, providers ask for detailed medical reports to assess if a heart attack is serious enough. At Guardian, the word of a UK Consultant is all we need.

- Cancer: Most providers don't pay out on all malignant skin cancers. But surely all malignant skin cancers are critical? We think so. So, a Guardian policy pays out on all malignant skin – no ifs, no buts.

- Multiple sclerosis: Typically, providers want to see evidence that someone's suffering symptoms of multiple sclerosis at the time the claim is made. We think that's a little unfair when you consider symptoms can come and go. At Guardian, we pay out if a UK Consultant Neurologist says there 'has been' an impairment due to multiple sclerosis, even if the symptoms aren't apparent when they make a claim.

2. Critical illness upgrades for existing customers

At Guardian, we think existing customers should be treated the same way as new ones. We've all been there – seen a better deal with your electricity or mobile phone provider than you're getting as a loyal customer. This has become the norm with protection insurance. Providers are constantly improving their critical illness definitions to give wider coverage but usually only available to customers taking out a new policy.

So, if our critical illness definitions improve, in most cases we'll apply the improvements to our existing customers' policies completely free of charge. Fair's fair. Occasionally, we may introduce changes that we won't automatically upgrade. If this happens, we'll offer you the chance to pay to add them.

Speak to your 2plan Financial Adviser

Not all protection policies are the same. Some offer significantly better cover than others. On top of that, you need to consider the type of cover you need, how much, and how to get the most out of your budget. That's why it really does pay to talk to your 2plan Financial Adviser. Financial Advisers are smart people who take time to understand your situation and recommend a policy that's ideal for you. Comparison sites just don't compare. In fact, we feel it's so important for you to get the right cover that you can only buy our policies through a Financial Adviser.

Ask your 2plan Financial Adviser about Guardian, for a little more information first.

Author: Katya Maclean – Proposition Director, Guardian

How to financially prepare for your child and grandchild's future

Do you have hopes of your children or grandchildren going to university in the future? If so, here's why – and how – you might want to start saving today:

University may seem a world away when the children are still at school, but if you have hopes of them studying for a degree (and beyond), it may be prudent to start saving sooner rather than later.

The cost of university

Did you know that English graduates have the highest debts in the developed world? According to research* from the Institute for Fiscal Studies (IFS), the average debt for students leaving university is £50,000.

These high costs are down to a shift in the way the government funds higher education, according to the IFS, with tuition fees trebling in 2012 and maintenance grants being dropped. This isn't meant to be off-putting; student debt is 'unsecured' and therefore isn't the same as many other types of debt, such as a mortgage. How much students repay also depends on how much they earn after university – and the debt is normally wiped 30 years after the first repayment, if the total hasn't been cleared.

However, having a large student debt could have other implications.

The future impact

When applying for a mortgage, some lenders may factor in how much student debt an applicant has. If repayments are significant, it may impact their ability to secure a mortgage.

It's important to remember, though, that lenders are not looking at total debt; rather they are considering applicants' outgoings when assessing affordability, which may include a student loan repayment.

Start saving today

As a parent or a grandparent, you want to help your children and grandchildren in any way you can. Chances are that the cost of living and tuition fees will rise further by the time your little one reaches university age, so the earlier you start saving, the better.

And by saving now, even if the child chooses not to go to university, you'll still have a pot of money to help them out on their next stage of life whether that be for a deposit or other large purchase.

If you are in a position to, start saving now and feed your pot little and often, even if you or your loved ones are just starting to plan a family. This means you won't have to find large sums of money when they're needed later in life.

Consider a Stocks and Shares ISA

As an alternative to squirrelling your money away into a traditional savings account, you might want to consider investing. Investing can be a great way to grow your money over time, if you're willing to take on an element of risk.

A Zurich Stocks and Shares ISA, for instance, is suitable for medium-to long-term investments of five years and beyond. By accepting a level of risk with your money, you could benefit from tax-free growth, with potentially higher returns than saving in cash.

The value of an investment can go down as well as up and you may not get back the full amount invested. Investments should only be considered for long term goals (5+ years).

With a Stocks and Shares ISA, your current allowance for 2018/19 is £20,000. Bear in mind that this allowance doesn't get carried over to the next tax year, so you'll lose it if you don't use it.

If you pay in as much of the allowance as you can early in the tax year, it could give your investment greater potential to grow.

Consider what you could do now to help prepare financially for your child or grandchild's future.

What now?

If you would like to know more about the Zurich Stocks and Shares ISA, log on to https://www.zurich.co.uk/stocks-and-shares-isa

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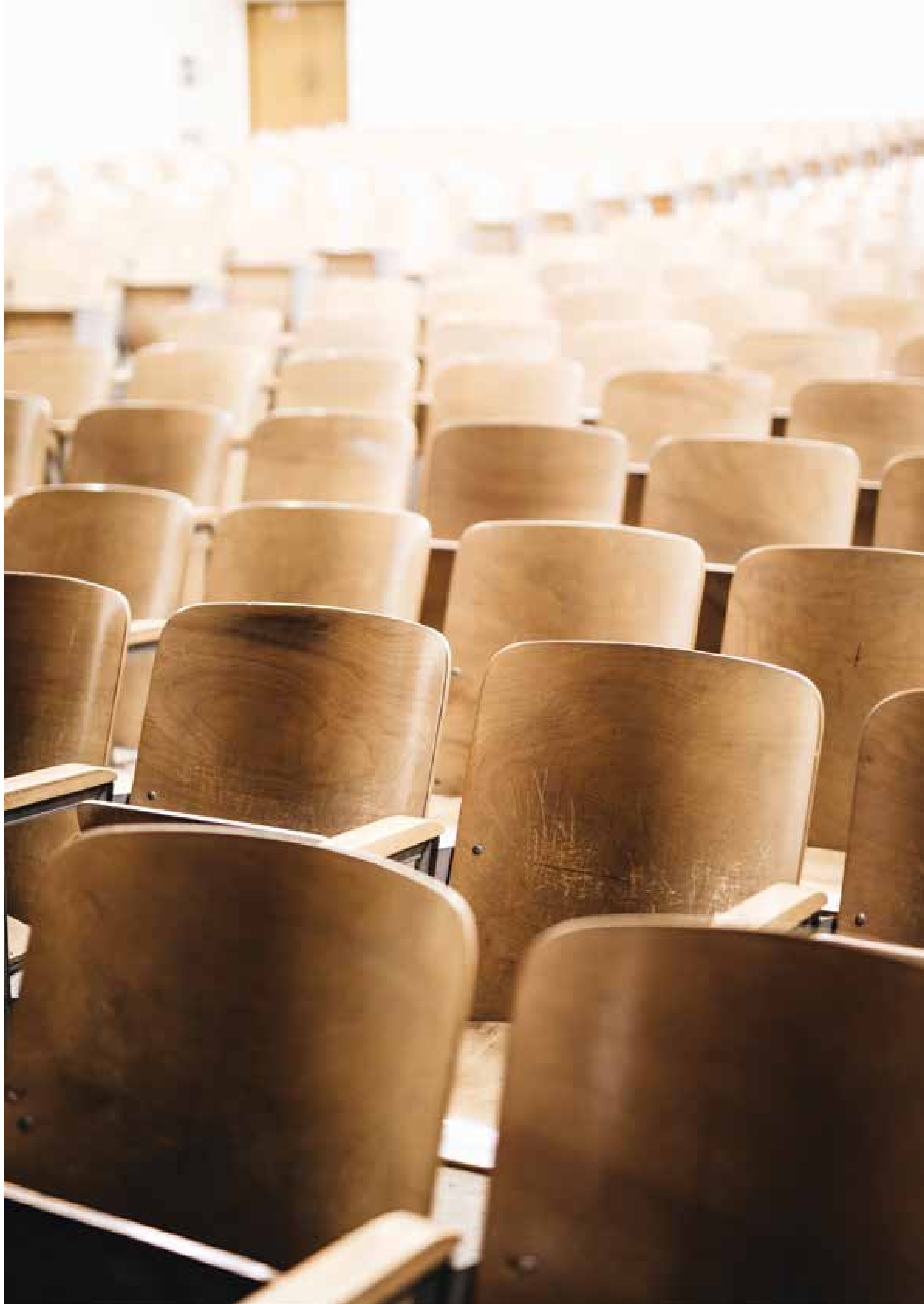
Author: Scott Sinclair, Content Marketing Manager, Zurich UK.

We are not responsible for the content of other websites. Views and opinions in the article are those of Zurich Assurance Ltd, who may or may not have acted upon them and are not intended to be directly acted upon.

*https://www.ifs.org.uk/publications/9334



A divergence of global growth

Global growth appears to be diverging, with Eurozone and Japanese data weakening markedly over the past few months, but US growth seemingly more robust.

The interesting thing about today's fragilities is that the majority have their causes or catalysts in the US. A stronger dollar, higher US rates and the credibility of US policy under Trump represent key risks to markets.

The US dollar, for example, is up by 5% since February. While this move has happened fairly quickly, by historical standards it is a small one, with the dollar remaining weaker than it was when it entered 2018. The move has been enough to put pressure on Argentina and Turkey however. Their respective central banks have been forced to raise rates to defend the value of their currencies, damaging growth in the process.

A further threat is Trump. Whilst his policies both at home and abroad spark day-to-day volatility, the real risk is that US foreign policy loses credibility – and against the backdrop of a wavering global macro environment this could have repercussions for financial markets.

That said, not all risks to markets come from the US – resurgent oil prices have introduced a further potential headwind for investors. Conventional wisdom would suggest that with oil prices nearing three-year highs we may soon see some cracks appearing in equity markets.

A further pressure arrives in the form of political developments in Europe – Italy in particular. With Italian support for the single currency the lowest among euro-area states, the risk here is that Italian politicians stop following the rules of the euro which could potentially spark another eurozone crisis.

Against this backdrop it is a little surprising that we have seen a rally in global equity markets in recent weeks. The S&P 500, a decent proxy for wider stock market health, has rallied nearly 7% since the lows in February – suggesting investors are looking beyond these clear and widespread threats emerging in the global system.

Author: Bill McQuaker, Portfolio Manager, Fidelity International

If you would like to discuss any of these topics in more detail, please feel free to contact me to make an appointment. If you have friends, family members or colleagues who you think would be interested in these topics, please pass this newsletter to them.

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