HFP
Independent Financial Advice and Planning

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BROOKS MACDONALD

Market Commentary and Positioning

'In terms of next steps for markets, much depends on the evolution of the global inflation picture.'

Over the last month the equity market has seen strong gains, initially powered by the narrow rally in large US technology names perceived as most able to monetise the expected AI developments. More recently this rally has broadened out with both European and US companies benefitting from improved risk appetite. This improvement in equity market levels has happened despite contrasting signals from a bond market that increasingly expects a hawkish interest rate response from global central banks, in contrast to previous hopes that the major banks would now pause interest rate hikes. Nowhere is this more true than the UK which has seen a steep rise in gilt yields as investors price in a higher for longer interest rate environment after last month's inflation release.

In terms of next steps for markets, much depends on the evolution of the global inflation picture. Brooks Macdonald broadly believe that hawkish central banks are likely to catalyse a squeeze on economic growth that will ultimately bring down inflation but for the current inflationary impulses in, for example, the labour market to be persistent until we see such a downturn. The outlook for equities in an economic downturn could be difficult to forecast due to three factors: difficulty timing the start of the downturn given the current resilient economic growth data, difficulty assessing how deep any downturn would be and lastly, whether equities may in fact welcome a recession if it brings down inflation and interest rate expectations.

Important information

Investors should be aware that the price of your investments and the income from them can go down as well as up and that neither is guaranteed.

Past performance is not a reliable indicator for future results. Investors may not get be back the amount invested. Changes in rates of exchange may have an adverse effect on the value, price or income of an investment. Investors should be aware of the additional risks associated with funds investing in emerging or developing markets. The information in this document does not constitute advice or a recommendation and you should not make any investment decision on the basis of it. This document is for the information of the recipient only and should not be reproduced, copied or made available to others.

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