Market Update – April 2018

Strong corporate earnings help boost UK and European markets

In April, stock markets regained some of the ground lost in February and March and share price movements became less volatile.

The MSCI World equity index measures the performance of global share markets. In April, it rose 1.7% in US dollar terms, or 2.6% in sterling terms. European, UK and Japanese stocks all outperformed the global average, while US and emerging-market (EM) equities lagged behind.

Expectations gathered momentum that the US Federal Reserve would raise interest rates, as US economic data beat expectations, helping the dollar strengthen after a weak spell. A stronger US dollar generally benefits European and Japanese markets that trade with the US, but tends to hurt emerging markets (those whose economies are still maturing). In addition, several countries, including Turkey, Brazil, Mexico and Russia, were coping with their own political or economic concerns. The benchmark US S&P 500 Index rose just 2.1% in sterling terms, despite a stellar first-quarter corporate earnings season.

In the UK, the benchmark FTSE 100 Index rose 6.4% in April, erasing its underperformance against global stocks in 2018 to date. The weaker pound probably supported the UK market, as it boosts the value of companies' foreign earnings (the FTSE 100 has significant overseas exposure). The more domestically oriented FTSE 250 Index rose 4.2%. Higher energy prices also supported UK stocks. European stocks outperformed as well, with the Eurostoxx 50 Index rising 5.3%. Both the UK and European markets rallied despite a downturn in economic data. UK gross domestic product (GDP) growth rose just 0.1% in the first quarter, while a string of European data missed analysts' forecasts.

Looking at the bond markets, prices fell on the 10-year US Treasury and other global government bonds, such the German 10-year Bund and the 10-year UK Gilt. Market expectations for an interest rate hike by the Bank of England in May plummeted on the weak GDP data, although the market still expects rates to rise eventually.
Some of the most dramatic price movement was seen in commodity markets, which include natural resources. Oil prices rose based on a mix of expectations for stronger demand, supply concerns and geopolitical worries – particularly around Iran sanctions. Additionally, the price of aluminium strengthened on concern surrounding the impact of US sanctions.

Should I make any changes to my investments?

Everyone's circumstances are different and we aren't able to give you advice on what is appropriate for you. As always, if you are considering your own position, you should remember why you invested in the first place and consider the lifespan of your investments. Most importantly, you should seek financial advice before making any changes to your investments.

One way in which you can help reduce the impact of any market volatility is to spread your investments across different asset classes and regions. For more information about investing across different asset classes take a look at our An introduction to diversification in multi-asset funds guide.

Remember that before making any changes to your investments, you should seek financial advice. If you don't have a financial adviser, you can find one local to you by visiting find a financial adviser, which is responsible for promoting financial advice in the UK.

All figures quoted are in sterling terms to 30 April 2018 unless otherwise stated.

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