

Market Update – November 2017

UK stocks suffer from weak growth prospects, in contrast to the US

Overall global stock markets were little changed over November, with the MSCI World Index down 0.2% in sterling terms. However, there were some movements in specific regions and industry sectors.

Information technology (IT) stocks sold off, led by companies in the US as the country saw strong macroeconomic data and a rising chance of a deal on tax reforms which could bring significant cuts to corporate taxes. This led investors to move money out of IT and into sectors such as transport and financials, which were seen as more likely to benefit from a broader improvement in the economy.

This move between sectors occurred in a rising market as the US S&P 500 Index rose 2.8% on the month in US dollar terms (up 0.9% in sterling terms), outperforming global stocks and setting a new record high¹, as stocks were boosted by the fastest rate of economic growth since 2014.

In contrast, UK stocks suffered from weaker prospects for economic growth. Figures out last month showed the UK economy grew 1.6% in the 12 months to the end of September, about half the US rate. Nonetheless, the Bank of England raised interest rates on 2 November for the first time in a decade – from 0.25% to 0.50%.

The FTSE 100 Index fell 2.2%, with the more domestically oriented FTSE 250 Index also underperforming global stocks as it declined 1.4%. Sterling strengthened 0.5% over the month, partly on rising hope of progress on Brexit negotiations, which dented the share price of many FTSE 100 equities given their higher share of foreign-currency earnings.

European stocks also underperformed, with the benchmark Euro Stoxx 50 Index down 2.4% in sterling terms (2.8% in euro terms). Investors lost confidence in generally high valuations and turned against financials stocks, which are seen as more likely to suffer from protracted low interest rates. Ongoing political uncertainty in Germany following a breakdown in coalition talks in the wake of inconclusive elections may also have dragged on investors' confidence. Weakness in IT and flagging non-oil commodity prices weighed on emerging-market stocks, which fell 1.8% over the month (in sterling terms).

Overall, government bond yields were little changed, although US and UK yields dipped during the month before rising again towards month-end on growing confidence around prospects for a US tax cut.

The oil price rose 5% over the month to US\$57.23/barrel for West Texas Intermediate² as OPEC, the group of oil-producing nations, agreed with Russia to extend production limits into 2018. However, rising US production is making it more difficult to make higher prices stick.

Metals prices were flat or modestly lower over the month. Global real-estate-linked funds rose about 1% in sterling terms, with emerging-market and North American property the best performers.

In early December, markets were buffeted by news around prospects for US corporate tax cuts, the investigation into Russia's influence on US politics, and Brexit negotiations although these issues did not drive fundamental directional shifts. But these factors look set to be key themes in the run-up to the New Year.

¹ Financial Express – for equity and property index data

² Citi Velocity

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 November 2017 unless otherwise stated.

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