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Challenges and Opportunities in May

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"Aim for the moon. If you miss, you may hit a star" – W. Clement Stone

Whilst the spring weather continues to warm, plenty of financial sector issues continue to worry global investors across both equity and bond markets. Meanwhile heightened inflation levels continued to impact bank account balances, and the war in Ukraine has led to many tragedies along with heightened geopolitical, commodity and supply concerns.

Across pan-European markets (including the U.K.) more than half of the equity market sectors made gains during April, although year-to-date gains are still largely focused on commodity sector areas. Global commodity sector price appreciation has also assisted a number of specific emerging markets. By contrast continued poor year-to-date technology sector performance has negatively impacted many markets around the world, heightened by the perceived impact of both bond yields and interest rates around much of the world.

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Whilst leading American equity and bond markets have (domestically) particularly struggled year-to-date, the dollar has strengthened further in recent weeks due to the combination of heightened global geopolitical concerns and the recent start of interest rate increases by the Federal Reserve. With the dollar back to a twenty-year high against the Japanese yen, over a five year high against the euro and back to levels last seen in 2020 against the Chinese yuan, further advances will need to be driven by either a further heightening of global concerns and/or further enhanced U.S. economic optimism.

Many central banks, United Nations and International Monetary Fund economic growth estimates for this year and next year have been reduced further in recent weeks, with even COVID-19 related concerns leading to recent shutdowns

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in some important Chinese cities. However, despite a number of uncertainties about the global economy, the corporate earnings season results and outlook statements produced in recent weeks have not been uniformly negative. While not every company has been able to enhance its profitability or raise the prospect for its employee base, a majority have. And whilst year-on-year comparisons will become more difficult as 2022 progresses and more firms start planning for the middle part of the 2020s, as investors we need to remember the level of global economic concerns two years ago, during a time of almost unprecedented economic lockdowns.

There are many uncertainties in the world today and the 2020s remain likely to have more challenges than the backdrop many investors benefited from during the 2010s. Despite the current range of new uncertainties, the investment world is always full of uncertainties but also opportunities too. This is why investors thinking about prospects for their pensions and other financial targets over the rest of this decade and beyond should remain optimistic. Commonsense remains centred around much more than paying your bills, your mortgage, a holiday trip once or twice a year and birthday and Christmas presents for friends and family. Careful choices within the world of equities, bonds, alternatives, infrastructure and many other potential global investment choices will also likely prove to be key.

Even if you are retiring this year then it is not wise to "sell in May and go away". There will still be a lot more living to finance and bouts of inflation to counteract. Always be excited - and not too fearful - about prospects for tomorrow and beyond.

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