

# MARKET UPDATE - 12TH OCTOBER 2018

Christopher Peel - Chief Investment Officer

## Equities

Earlier in the week, US equities suffered their worst declines since February 2018. The large rise in US government bond yields and profit-taking in the technology sector were the catalysts for the dramatic fall in global equity markets. This correction is significant, but we do not believe it signals the end of the 9-year bull market, given the growth outlook, low level of inflation and upbeat corporate earnings. We have been defensively positioned and have significantly outperformed our global equity and bond benchmarks in the sell-off. Looking ahead, we will be monitoring economic data and markets closely, with the aim of increasing risk in the coming weeks.



## Sterling

The 4th quarter will be key for the Brexit negotiations and the future direction for sterling. The time for posturing is over and both sides appear to be showing a newfound willingness to compromise. We expect that a trade deal will be agreed by the end of the year. The UK is the 5th largest economy in the world and has a trade deficit with the European Union, so it holds a strong bargaining position. Sterling has risen 1.50% versus the US dollar this month and remains fundamentally undervalued. We expect sterling to appreciate further by at least 10% over the next 10 weeks and have hedged the portfolios to protect against any currency related losses.



## Tavistock Wealth's Approach

As a reminder, our Centralised Investment Proposition is designed to meet the long-term investment needs of clients. We aim to fully participate in rising markets and limit losses during periods of correction. Professional risk management and portfolio construction through diversification are the cornerstones of Tavistock Wealth's investment philosophy.

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