## A volatile first half for 2016 investments

**The first half of 2016 has been marked by volatility – especially in the final week.**

June, or to be more accurate, the final five working days of June, proved to be a volatile time for share markets around the world. After two of the four constituent parts of the UK voted for Brexit, markets far away from the UK reacted with knee-jerk falls to the prospect of continued uncertainty. The headlines were dire: "£45 billion wiped off shares" was one example (from a paper that supported Leave).

At such times the investment 'noise' can be as deafening as it is distracting. It pays to step back a little and gain some more perspective. As 30 June marked the half way stage through the year, a look at how the first six months of 2016 panned out is a good starting point. The results may be a surprise:

| Index | H1 2016 Change |
|---|---|
| **FTSE 100** | +4.2% |
| **FTSE All-Share** | +2.1% |
| **Dow Jones Industrial** | +2.9% |
| **Standard & Poor's 500** | +2.7% |
| **Nikkei 225** | -18.2% |
| **Euro Stoxx 50 (€)** | -12.3% |
| **Shanghai Composite** | - 17.2% |
| **MSCI Emerging Markets (£)** | +15.8% |

The fact that over the six months the FTSE 100 has *increased* is not what the casual observer would have expected. While there was considerable volatility immediately after the Brexit result emerged, the FTSE 100 rebounded strongly, regaining its 23 June level by close on 28 June. That reflects the international nature of its constituents – one recent estimate is that the average Footsie company obtains only about 20% of their revenues from the UK. That fact, combined with a weakening pound translating into stronger sterling profits, helps explain the resilience of the FTSE 100. The FTSE 250, covering the next 250 listed companies, is much more heavily oriented to the UK and suffered accordingly. By the end of June, the FTSE 250 had fallen 6.1% from its pre-vote level, even after a strong recovery in the final couple of days of the month.

The reaction of overseas markets is not captured by the indices alone. Sterling tumbled after the Brexit vote, with the most notable fall against the dollar. Having almost reached $1.50 on 23 June, by the end of the month the pound would buy only $1.337, a drop of over 10%. The corollary of the pound's fall is that falls in foreign markets were often more than countered by the rise in their related currencies.

The first half of 2016 was by no means as dire as it might have seemed from recent press reports. It is a fact of life that markets go up and down and trying to time entry and exit perfectly is impossible. While keeping nerves steady may be a challenge, the panicked investor who sold out when pessimism was at its worst is probably feeling distinctly upset now. Please get in touch if you’d like to discuss your investment options.