



Looking ahead to 2018

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An outlook on worldwide markets

Andrew Milligan, Head of Global Strategy at Standard Life Investments shares his thoughts on what 2018 might bring. Some of the key issues that investors should watch out for over the next twelve months can be neatly captured by the letters 'V' and 'P'.

Valuations

Most of the world's equity markets have enjoyed a very good year, particularly US and technology stocks. With this in mind, many investors are now asking if equities can make further progress in 2018. This will largely depend on our 'P' for profits.

Profits

This is the real driver of further progress in markets. Currently, expectations for profits in 2018 point towards the lower end of the scale but a further stream of good company news could support investor confidence.

On the other hand, any disappointment could cause a sharp reassessment of risk by investors. Remember those valuations!

Velocity

The world economy picked up speed at the end of 2017, and lower unemployment and higher investment look positive for 2018. The actions of central bankers will be key to continuing this trend.

After a decade of providing extraordinary support to their economies, the world's major central banks have started to reduce this stimulus. Interest rates have risen in the US and UK, and quantitative easing is being withdrawn by the European Central Bank and the US Federal Reserve. Encouragingly, it appears central banks are committed to this being a gradual process. This should allow markets a period of adaptation.



Volatility

2017 was a year of steady performance in equities. The US market set a 90-year record with 13 successive 'ups'. However, given the current environment, 2018 looks set to be different and more difficult. Even normal levels of volatility might feel rather bumpy.

As we move into 2018, holding a diversified portfolio of assets, with some cash ready to invest, will ensure investors can capture the opportunities as well as providing greater resilience when hitting the inevitable bumps in the road.

Please talk to your financial adviser for more information.

Politics

In the last 18 months, political shocks such as Brexit, Trump and North Korea have worried investors. And looking ahead, it's clear there are still issues to give investors cause for concern.

In Italy, elections will be another test of anti-EU sentiment. Catalonia remains an issue within Spain. Any populist shock would undoubtedly be a setback for the EU after what has been a relatively successful 2017.

And in Washington, uncertainty hangs over the future of trade deals like the North American Free Trade Agreement (NAFTA), as President Trump hopes to renegotiate deals he sees as unfavourable to the US.

On top of all that, developments in the Middle East and in Brexit negotiations should be monitored closely.



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