

Don't just do something; stand there!

Three weeks ago I posted my thoughts about 2016 and what it might hold. Since then the markets have been a very uncomfortable place and, with commodities and bonds all having a wobble, you might be forgiven for wondering what we should do.

The natural reaction to the kind of news we are seeing is to be decisive and make some clear calls about what should be done.

The reality however is far from clear. That central case from 3 weeks ago still looks realistic to me – growth will emerge and consolidate, corporate earnings will improve and markets will respond accordingly. I am however today less positive about that central case albeit that it remains my central case.

The markets appear to be irrational and overreacting to data from China and commodities, especially oil, and making assumptions about the impact of this around the globe. They may be right but my feeling is that they are only partially right and that on balance the global macro-economy is in better shape than these markets suggest.

In my view therefore what we should do *for now* is nothing – our portfolios are well diversified across all asset classes and will therefore reduce any negative market returns but will also ensure that there are assets that can benefit when those returns turn positive.

As and when more data and evidence emerges and what is happening becomes clearer then we can take a more decisive view. Until then I prefer to trust our diversification and adopt the sentiment of my title – don't just do something, stand there!

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