

11 October 2018

Commentary on market conditions

Following severe equity market correction overnight, Chief Investment Officer of John Bridgeman Limited, Stuart McAuliffe, commented on the current market situation as follows:

Going into last night's market rout, our value at risk was under 1% across our equity portfolios – in other words, we have been neutral on equities and were not exposed to the rout.

This market correction follows comments on 3 October 2018 by Jerome Powell, US Federal Reserve Chairman, who stated that the Federal Reserve was “a long way from neutral” on interest rates¹, indicating more interest rate hikes were likely.

This has put the financial world in a dangerous position, given the support that low interest rates and quantitative easing have lent to stock markets and, in particular, real estate markets.

We have taken the Federal Reserve Chairman's comments seriously, and positioned accordingly.

Currently, given the substantial equity market falls, including 5-10% falls in the NASDAQ100, FTSE100, the DAX, and Chinese stocks, we are currently neutral on our equity market outlook. We are closely watching the impact of the recent rout on future interest rate hikes, and the implications of the potential confrontation between the US and China over trade, particularly in light of President Trump's comments last night stating that the Federal Reserve had “gone crazy”.²

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¹ <https://www.cnbc.com/2018/10/03/powell-says-were-a-long-way-from-neutral-on-interest-rates.html>

² <https://www.cnbc.com/2018/10/10/trump-says-the-federal-reserve-has-gone-crazy.html>