A rewarding 2017 for shares

The world's share markets were a profitable place to be in 2017.

Index	2017 Change
FTSE 100	+7.6%
FTSE All-Share	+9.0%
Dow Jones Industrial	+25.1%
Standard & Poor's 500	+19.4%
Nikkei 225	+ 19.1%
Euro Stoxx 50 (€)	+ 6.5%
Shanghai Composite	+6.6%
MSCI Emerging Markets (£)	+22.7%

2017 had its fair share of dramas. There was the unending reality show of Donald Trump and his tweets. On this side of the Atlantic the ongoing saga was Brexit and the "strong and stable" government that was promised, but somehow never materialised. North Korean rockets were a regular headline feature, as was the growing assertiveness of China under Xi Jinping. Europe had a crop of elections to worry about, ending with Germany being without a government since September and Catalonia seemingly back at square one.

And yet world stock markets had a very good year. In sterling terms, the MSCI World Index was up 20.11%. This was not just the impact of the strong performance of the USA, which accounts for just over half of the World Index: strip out Uncle Sam's influence and the rest of the world returned 21.03%.

Why markets were so buoyant will keep the commentariat in debate for some while. Continued low interest rates (despite US and UK rises) and more quantitative easing (QE) from the Eurozone and Japan certainly helped. The global economy also began to display synchronised rising growth, with the obvious exception of the Brexit-braked UK.

At first sight, the outlook for 2018 looks similar. There is the ongoing saga of the US administration, the next European election to worry about, in Italy, and Germany will have another attempt at creating a coalition government. Interest rates in the US and probably the UK will rise, while Europe is set to cut back and possibly end its QE.

Most pundits predict investment markets will be more volatile in 2018 – hardly a major insight given their near serene progress in 2017. If you have benefited from last year's solid returns, do not assume you can leave your investments unchanged for 2018. Now is the time to talk to us about any rebalancing that may be necessary for the year ahead.

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.