



A volatile start to 2016

January was a rollercoaster ride for share markets around the world.

INDEX	JANUARY CHANGE
FTSE 100	- 2.5%
FTSE All-Share	- 3.2%
Dow Jones Industrial	- 5.5%
Standard & Poor's 500	- 5.1%
Nikkei 225	- 8.0%
Euro Stoxx 50 (€)	-11.2%
Shanghai Composite	- 22.7%
MSCI Emerging Markets (£)	-2.9%

January provided a very volatile start to the year for investors in the world's share markets. By the 20th the main stock market indices in both the US and UK were down close to 10% from the start of 2016. There were a wide variety of reasons given for the fall, from more doubts about Chinese growth, through falling oil prices, to concern that the US Federal Reserve had acted too soon in raising interest rates.

Markets had regained some composure as the month ended, as the table above shows. For UK-based investors, the falls in overseas market's were to some extent countered by a sharp drop in the value of the pound, attributed in some quarters to a sudden new concern about Brexit. Against the dollar, sterling dropped from \$1.4833 to £1.4185.

The share volatility was a reminder of the value of a diversified investment portfolio. While share prices were falling, the value of government bonds was rising as a 'flight to safety' occurred once again. Thus the best performing Investment Association fund sector over January was UK index-linked gilts.

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.