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Markets in flux as global turmoil deepens

FTSE 100 sees billions wiped off amid investor uncertainty

As we approach midday, we find ourselves in the midst of another volatile day across global financial markets. Investors are grappling with fresh shocks ignited by US President Donald Trump's tariff policies, which have triggered a widespread selloff. The FTSE 100 has not been spared, as hundreds of billions of pounds have been wiped from its value.

Commodity sectors are enduring the brunt of the downturn, as oil majors and miners grapple with the added chaos in commodity markets. However, there is a silver lining in the form of UK equities. Barclays strategists have conveyed a more positive perspective, suggesting that British stocks might serve as a safe haven during this storm.

Changes in bond yields may affect mortgages

The bond market is undergoing dramatic movements. Yields on UK gilts, particularly two-year bonds, have fallen as investors seek refuge in safer assets. This downward pressure on shorter-term bond yields has also arisen from changing expectations of central bank policy.

Conversely, 30-year bond yields have increased, reflecting a broader market recalibration. This divergence highlights the complexity of current market dynamics as investors navigate an environment of heightened uncertainty.

Currency markets react as safe-haven strengthens

Monday 7 April 2025. 11:57 – The currency markets have experienced significant turbulence amid the unfolding drama. Traditionally stable "safe-haven" currencies like the Japanese yen and Swiss franc have strengthened as uncertainty spreads. The US dollar, often viewed as a haven itself, has struggled under the pressure, reaching its weakest point in months against these currencies.

This decline highlights the shifting dynamics, as even established economic indicators like the dollar are under pressure. For now, the pound has stabilised slightly but continues to face strain, trading at its lowest level in a month against the dollar.

Hang Seng falls sharply amid escalating tariff conflict

12:03 – In Asia, the Hong Kong Hang Seng index has been heavily impacted, showing a 13.2% drop in a single day – one of its largest in history. Such a significant decline is typically associated with extreme events, like the infamous Black Monday in 1987 or the post-Tiananmen Square selloff in 1989.

Today's sharp drop follows China's implementation of a sweeping 34% import tax on US goods in retaliation for Trump's recent tariffs. While Asia is inherently vulnerable due to its reliance on exports to the West, the sudden escalation has heightened investor anxiety across the region.

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Recovery hopes for FTSE and shifting global priorities

12:16 – In London, the FTSE 100 has begun to recover some losses following an initial plunge of approximately 6%. By late morning, the index had limited its decline to 4%, with several shares finally seeing upward movement. Investors remain cautious, but this partial recovery offers a glimmer of hope amid the broader downtrend.

Meanwhile, outside equities, Russia, which has so far avoided direct consequences from US tariffs, is experiencing secondary effects. Declining oil prices are adding pressure to its energy-dependent economy, which continues to be a crucial source of funding, especially in view of its geopolitical ambitions.

The path ahead remains uncertain

12:57 – Looking ahead, several key events during the next 48 hours could shape market sentiment. These include potential central bank interventions, Trump's decision regarding the delay of reciprocal tariffs, and the EU unveiling its counter-tariffs. However, prolonged uncertainty may further expose vulnerabilities in the system as credit spreads widen and risk increases.

For investors, the key takeaway is to remain calm and focused on long-term objectives. While market volatility can be unnerving, history teaches us that resilience often follows difficult periods. UK markets, for example, recovered steadily after the turmoil of the 2008 financial crisis, rewarding those who stayed the course.

Stay focused on long-term goals

Periods of market decline often pave the way for eventual recovery and, in some cases, significant growth. While no guarantee exists, maintaining a diversified portfolio and focusing on long-term goals can help cushion short-term shocks. Experienced investors understand that attempts to 'time the market' rarely succeed. Instead, a consistent, well-planned financial strategy tailored to personal objectives remains the most reliable path forward.

If you have concerns or want to review your financial strategy during this time of increased uncertainty, we're here to help. We can discuss your portfolio and identify strategies that align with your financial goals. ■

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