



Why 2017 is One of The Toughest Ever Years to be an Investor

Description

This year has been a huge surprise for many investors. While there was a considerable amount of doom and gloom present at the start of the year, stock markets across the globe have generally performed well in 2017. That's despite the political risk present in the US and Europe, as well as uncertainty which continues to surround the Asian economy.

Looking ahead, could the outlook be about to improve for investors seeking to successfully forecast share price returns?

A challenging year

Last year saw two major political events which were initially greeted with negativity by many investors. First, the UK voted to leave the EU. This had the potential to cause not only a slowdown in the UK and Europe, but also in the wider global economy due to the interdependence of major economies across the world. Second, Donald Trump was voted in as US President. This was also not predicted by pollsters or most investors, and was expected to cause stock markets to fall as uncertainty surrounding his policies was high.

However, neither of these events have caused a decline in global GDP growth or in the Bull Run of recent years. In fact, Trump's election in particular caused the 'Trump trade' to become popular, with his planned policies to spend more and tax less causing many investors to become more bullish regarding the prospects for the US economy. As such, forecasting has been hugely challenging this year, since investors have generally not reacted as expected to surprise events such as Brexit and Trump's election victory.

More difficulties?

Looking ahead, there is a good chance of further surprises in a range of policy areas. For example, political risk in the US remains high, while in Europe there is likely to be a period of prolonged uncertainty regarding the outcome of Brexit talks. In China, the economic growth rate continues to come under pressure as it pivots towards a consumer-focused economy. Further government stimulus

may be necessary in all three regions, or they may experience strong growth even as monetary policy tightens.

Clearly, the outlook is always uncertain regarding these and a range of other policy areas. However, perhaps a relatively new challenge facing investors is that share prices seem to have a good chance of reacting unexpectedly to major news events. This makes forecasting doubly difficult, since even accurately predicting the 'main event' may not allow an investor to successfully position their portfolio. Given the experiences of investors so far in 2017, there is little to suggest that this situation is about to change in the near term.

Takeaway

Forecasting is always a challenge. However, the reaction by investors to major events in the last year has made it even more difficult. Even accurately predicting a political result has left many investors nursing losses. As ever, the logical stance for Foolish investors could be to simply buy high quality stocks at fair prices for the long term. That way, the volatile short-term movements of stock prices may not prove to be all that important over an extended timeframe.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Investing

Date

2025/08/26

Date Created

2017/09/30

Author

peterstephens

default watermark

default watermark