Should You Invest in The World's Most Unloved Stock Market?

Description

Global stock markets are on a roll, defying repeated predictions that they are about to crash.

The US S&P 500 index has just posted 13 consecutive months of growth for the first time in 90 years, while Europe MSCI is up 25% over the past year.

Yet investors have lost their passion for one key market. It is so unloved, even the locals do not want to invest in it.

I am talking about the UK.

Where did our love go?

The British are pouring money into stocks and shares investing a record £5.6 billion in September, with global funds the bestselling sector.

Europe, Japan and North America all enjoyed massive inflows, but there is one place the Brits do not want to invest.

In fact, they are pulling money out. It is their own country.

No growth

The British certainly have plenty of reasons to feel fed up right now. Inflation stands at 3%, but wages are growing at just 2.2%, which means people are getting poorer in real terms.

Effectively Britain has not had a pay rise in 15 years, and GDP growth is now the lowest in the EU.

Brexit is dividing the nation, and creating massive business uncertainty. Recently the UK has discovered the price of leaving the EU: between €60bn and €100bn.

Collapse

The world has noticed. The latest Bank of America Merrill Lynch survey of investor sentiment shows attitudes towards the UK are as low as in 2008, when the UK banking system was on the verge of collapse.

Things could get worse, especially if the UK crashes out of the EU without a deal.

It seems that everybody hates the UK… which could make now an exciting time to invest.

The benchmark **FTSE 100** index of top stocks is up 12.1% in the past 12 months, a positive return but just half the growth seen across Europe.

However, there are hopes that the UK and EU will edge closer towards a much-needed trade deal, especially with the UK apparently now agreeing to pay the divorce bill.

There are sticking points on Ireland and the rights of EU citizens, but both sides have a clear financial interest in striking an agreement before March 2019.

If we see further progress over the coming months, business confidence and investment will pick up and the love could start flowing again.

Fighting back

While the overvalued US is trading at almost 31.86 times earnings, according to the Shiller PE ratio, the FTSE 100 trades at just 15.22, and offers a generous average yield of 3.86% to boot.

It also includes global behemoths who should perform well regardless of what happens domestically, such as oil majors **BP** and **Royal Dutch Shell, HSBC Holdings, British American Tobacco,** pharmaceutical giants **GlaxoSmithKline** and **AstraZeneca,** and **Vodafone Group** and **Unilever**.

If you show some love to the UK right now, your portfolio might just love you back.

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