



## *Scaling new peaks*

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**It's climbing season in the Himalayan Mountains of Nepal. Plans have been finalised and all equipment checked and readied. Teams of experienced climbers and aspirational enthusiasts alike are dead set on achieving what for many will be a lifelong ambition, making it to their chosen summit and gazing down on the world below them.**

Meanwhile, trekkers with less lofty ambitions are already winding their way down steep gorges, traversing precarious suspension bridges and ascending seemingly endless rock-cut steps, confronting what for many will be personal challenges, driven ever higher in pursuit of awe-inspiring scenery and a potentially life-changing experience.

Below these intrepid explorers lies a fracturing world experiencing its own tectonic shifts. President Trump, the epicentre of all that has taken place since his January 2025 inauguration, has paid a visit to his opposite number in Beijing, a two-day summit with trade and diplomacy at its heart but with the eyes of

the world on what the two economic superpowers might forge by way of agreement in relation to breaking the deadlock into which the Iran war has evolved. If stalemate breakthrough was what the White House wanted, kind words and mutual flattery could not disguise the fact that West and East still lie worlds apart.

The conflict in and around the Persian Gulf has now completed its third month. Media headlines and financial markets alike are caught in thrall to each twist and turn in a convoluted plot line, sometimes euphoric on hopes a negotiated settlement might be near at hand and sometimes despondent as progress towards promised

*“Life sets us a challenge to test our courage and willingness to change”*

PAULO COELHO | NOVELIST

“off-ramps” fails to materialise. Three months is a long time for energy importing economies to be without critical resource. Even if the Strait of Hormuz, as ever the focal point, were to reopen tomorrow it will still take weeks, possibly months, for energy storage to be replenished to pre-war levels. Meanwhile, inventories are being worked through and tank levels are beginning to dip towards the danger zone as available resource is drawn down and indications of operational stress mount up.

There is a saying in financial market circles that while pessimists might end up being right, optimists end up being rich! What better way to describe the juxtaposition between the relentless rise in longer-dated sovereign bond yields to mid-month multi-decade highs on the one hand and the global stock market’s ascent to new all-time highs on the other. While financial markets are overcoming their inflation fears as the oil price eases lower, price pressures are now clearly manifesting in recent data releases and forward-looking business survey data. The world’s central banks are on red alert and have signalled a shift to a more hawkish bias, the precursor to possible interest rate hikes in the not-too-distant future. But complicating matters for senior officials pondering monetary policy settings, growth expectations are under downward pressure too as what is emerging as a historic worldwide energy shock tightens its grip.

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How can it be, investors might ask, that while pessimism is so clearly apparent in the bond markets, optimism is so equally apparent in the stock market? T’was ever thus, but it is truly remarkable that, borne ever higher by, in particular, the technology sector (and to a lesser extent the energy sector), the US stock market and a number of its Asian counterparts have embarked on a relentless tear, recording yet more all-time highs along the way. Although the drivers are very different to those seen at the same time last year, the outcome is

the same, investors, it seems, have become highly adept at compartmentalising and discounting risk events and moving on thereafter.

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*“One key factor lying behind the stock market strength has been another highly successful corporate reporting season covering the first quarter of the year”*

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One key factor lying behind the stock market strength has been another highly successful corporate reporting season covering the first quarter of the year. While stock markets are typically forward-looking, strong results from the energy and particularly the technology sectors coupled with, in the latter case, mountainous capital expenditure point to even greater revenue and profit growth in coming quarters. Global stock indices in which technology are heavyweight components have strongly outperformed those, including in the UK and Europe where technology (including artificial intelligence) is less heavily represented. Furthermore, investor enthusiasm has been captivated by the forthcoming stock market listing of big tech heavyweights including SpaceX (which could put Mr Elon Musk on track to become the world’s first business trillionaire), OpenAI (think ChatGPT) and large language model giant Anthropic.

Strength and stock market performance in several key heavyweight sectors masks growing bifurcation below the surface. A chasm as deep as a Himalayan gorge has opened up between the “haves” and the “have nots”. The business community is far from immune to the growing economic crisis, a fact already manifesting itself in relative weakness across a wide range of other commercial sectors. The UK occupies something of a middle ground, tech-lite but HALO (heavy asset, light obsolescence) heavy. The domestic stock market is well known for its reputation for progressive dividend payouts, serving to cushion what has proved notable relative underperformance against US and Asian counterparts since the Iran war’s commencement.

There have been local difficulties to surmount too, the Labour administration duly suffering its much-anticipated big defeat in English, Scottish and Welsh elections. Prime Minister Sir Keir Starmer is hanging on, but his leadership has been weakened, and a threatened challenge has unnerved both the gilt-edged and stock markets.

These are, without doubt, extremely testing conditions both for financial markets and for investors in broadly diversified financial asset portfolios. But investment, like mountaineering or trekking in the Himalayas, is not a race. Individual

goals are set with careful preparation and whilst it may appear galling to perch on a vertiginous ledge while a porter, seemingly effortlessly, passes you by carrying an entire fridge freezer with all the agility of a mountain goat, the challenge lies in attaining one's personal goals not simply getting there first. One foot in front of the other, your wealth manager is your sherpa, always at your side providing guidance and wise council when most needed. Make use of this knowledge and expertise, it will serve you well in the deliverance of your ambitions.

#### **WITH INVESTING YOUR CAPITAL IS AT RISK.**

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