

Global markets in light of recent equity market volatility

The startling degree of equity market volatility over the past few days appears to have been triggered initially by a stronger-than-expected U.S. labor market report and an associated rise in bond yields. But the market decline rapidly morphed into a rout that was exacerbated by the rapid liquidation of short-volatility positions in ETFs and ETNs.

Notably, the spikes in volatility in other asset classes like government bonds, high yield debt, and currencies were generally much less pronounced than in the equity markets. That suggests that equity market volatility was due more to micro-structural issues in the equity market rather than due to a major global macro shock.

Indeed, we believe that the fundamental outlook for the global economy is not much different than it was a week ago: a synchronized global expansion is underway, inflation risks are more balanced than they have been in recent years, and central banks are planning gradual exits from the aggressively easy monetary policies they have pursued in recent years.

This still looks to us to be a reasonably constructive environment for global equity markets, particularly the emerging markets which are beneficiaries of the global expansion.

Our relatively low turnover investment approach helps us avoid over-reacting to short-term market dislocations with major sector or stock rotations, although we will be alert to any opportunities that further volatility might provide to establish positions in solid businesses at attractive prices.

The views expressed constitute Trilogy Global Advisors' judgment as of February 9, 2018, and are subject to change based on market, economic or other conditions. These opinions are not intended to be a forecast of future events, a guarantee of future results or investment advice. All data referenced is from sources deemed to be reliable but cannot be guaranteed as to accuracy or completeness.

All investments are subject to risk including possible loss of principal.

Not FDIC Insured | May Lose Value | Not Bank Guaranteed

© 2018 AMG Funds LLC. All rights reserved.