

BRAMWELL BROWN LTD

INVESTMENT ADVISERS – SHAREBROKERS

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Bramwell Brown Limited – Newsletter – April 2026

Markets

The current volatility in markets is understandably causing concern amongst investors. Donald Trump's complete lack of diplomacy, together with his belief that global policy-making is his realm alone, has caused widespread disruption. The war in the Middle East has placed pressure on economies around the world, with Iran's blockade of the Hormuz Strait causing the price of oil to surge. This will have a flow-on effect, creating further inflation to economies that have been grappling with inflationary pressures for some time. Already we are seeing an increase in interest rates as banks predict the need for the Reserve Bank to raise the Official Cash Rate.

Markets like stability, which is something we are lacking at present. In 2018 I wrote a newsletter article discussing major disruption to markets. Below are parts of that article.

What could derail the phenomenal run share-markets have enjoyed?

- A global shock – unfortunately we don't know what we don't know, and any number of circumstances (war/disease/natural disaster) could affect the markets
- Contagion – any of the above could result in panic amongst investors, whereby the feeling that the markets are overvalued and due for a major correction becomes a self-fulfilling prophecy

What to do? Many investors question whether quitting shares is the right thing to do. Sell everything now and then buy back in once the market has hit the bottom. However, history shows that strategy is almost impossible to get right. If we look at the Global Financial Crisis in 2007, it took eighteen months for the market to reach the bottom.

- Will you be able to time your exit and re-entry correctly?
- Are you prepared to give up dividend income while you're out of the market?
- What if the volatility blows over in a month and it turns out you've made the wrong decision?
- What about the transaction costs?

My advice remains the same:

- Understand the risks you take with investments, and stay within the risk you can tolerate
- Hold a wide variety of asset classes – shares, bonds, cash and term deposits
- Buy good companies and hold them for long periods
- Hold overseas investments as insurance against a shock to the New Zealand economy
- Limit your exposure to individual companies
- Be aware that a market correction can occur at some point
- Don't attempt to time the market – invest in stages
- Don't be tempted to sell if the market does fall

For those investors with regularly maturing term deposits and cash, the dip in the market may present opportunities to invest in quality companies at lower prices. However, it is difficult to invest funds with any confidence at present, because things may get worse before they get better. If I had to bet, I would expect the war will be short-lived. Already, public sentiment in the US seems to be shifting against Donald Trump, and this is something he can ill afford, with their mid-term elections at the end of this year. Donald Trump cannot remain the US president indefinitely, and in the long-term, US diplomacy and policy-making will, I hope, return to normal.

Don't hesitate to contact the office if you are concerned about your investments.

Bank Term Deposit Rates

Here is a list of the bank term deposit rates currently available.

	1 Year	2 Years	3 Years	4 Years	5 Years
ANZ	3.70%	4.10%	4.40%	4.60%	4.70%
ASB	3.70%	4.05%	4.50%	4.60%	5.00%
BNZ	3.70%	4.00%	4.40%	4.60%	4.70%
Heartland	3.70%	4.30%	4.50%	4.75%	4.80%
Kiwibank	3.75%	4.10%	4.40%	4.60%	4.70%
Rabobank	3.80%	4.15%	4.45%	4.65%	4.75%
Westpac	3.75%	4.10%	4.40%	4.60%	4.70%

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