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Volatility is back! But who are the winners and the losers in an unpredictable market?

Plus500 Ltd (LON:PLUS) shares jumped by a fifth on Tuesday, as it welcomed the return of volatility to global stock markets.

The FTSE 100 and its international peers made an auspicious start to the year: President Trump was talking up the prospect of a deal between the US and China, Brexit looked like it would finally be sorted out and the global economy was continuing its recovery from the lows of the financial crisis.

After a rough end to 2018, those factors helped global stocks to bounce back and hit new highs.

While that was generally a good thing for share prices, it left traders without the one thing they often crave: volatility.

Back with a bang
Fast forward a few months and investors have volatility in buckets.

The US and China are locked in a trade war which commentators are struggling to see an amicable resolution for. The UK has a new, pro-Brexit prime minister in Boris Johnson, which has seemingly increased the possibility of a no-deal departure from the EU, the deadline for which has been shuffled back to October.

It's not just the UK and the US which are having to deal with political uncertainty, either. In Europe, Italy looks set to call snap elections, while investors are also keeping tabs on goings-on in Hong Kong, where protests have led to the cancellation of flights.

Then there's Argentina, which saw the value of its currency, the peso, slump on Monday after populist candidate took the lead in primary elections.

If you are still not convinced that volatility is back, just look at the big US index, the Dow Jones.

Last week, this has month it has recorded massive daily drops - including one of almost 800 points - as well as some big wins. Even this week, it fell by more than 300 points on Monday, before adding 400 on Tuesday morning.

Plus500 boosted by volatility

The recent surge in volatility has played into Plus500's hands, as it creates more "trading opportunities" for its punters - the majority of whom lose money.

The benefit can be quantified as well: during the first quarter when market conditions were stable, revenue totalled US\$54mln. In the second quarter, when volatility started to return, revenue wasn't too far off double that.

Price: 915.2

Market Cap: £994.11 m

1 Year Share Price Graph



Share Information

Code: PLUS

Listing: AIM

52 week	High	Low
	1668	399.7

Sector: Investments and investor services

Website: www.plus500.co.uk

Company Synopsis:

Plus500 is a leading provider of Contracts for Difference (CFD's), delivering trading facilities on shares, forex, commodities and indices, alongside innovative trading technology. Plus500 is owned by Plus500UK Ltd. A UK based company with its main offices located in the city of London. The company is authorised and regulated by the Financial Services Authority (FSA) to offer Contracts For Difference (CFD).

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Rival IG Group Holdings PLC (LON:IG.) has also felt the benefit of this increased uncertainty, and its shares are up by more than 10% since the end of May.

So who else has benefitted from the recent uptick in the markets' unpredictability?

Dollar earners get a tailwind from pound's woes

Well, the pound has taken a kicking in recent weeks in the wake of BoJo's ascent to the top job, falling to two-year lows against the dollar and euro.

That is good news for Britain's blue-chips who earn most of their money abroad, as it boosts their earnings when translated back into pounds.

The usual suspects, such as British American Tobacco PLC (LON:BATS) and Hikma Pharmaceuticals PLC (LON:HIK), have seen their share prices jump thanks, in part, to their inflated financial performance.

The weak pound has helped to counterbalance Brexit uncertainty among FTSE 100 constituents, although the same can't be said for the more domestic-focused FTSE 250, which had endured a much rougher 2019.

China tensions weigh on London's miners

Miners would normally also feel a tailwind from the weak pound given most of their earnings are made overseas, but frets over the Chinese economy have more than offset any possible gains.

China is by far the world's biggest consumer of raw materials, so the diggers need a strong Chinese economy to sell their metals and minerals into.

But the US-China trade war has raised concerns that the Chinese juggernaut is stalling, as evidenced by economic growth falling to a 30-year low in the second quarter.

On a more localised basis, junior oiler President Energy PLC (LON:PPC) has been forced to come out and reassure investors that the trials and tribulations in Argentina - where most of its assets are - won't affect business too much.

Still, the stock is down 6% on Tuesday, having lost almost a third of its value since the middle of May.

Gold loves uncertainty

One big winner is gold, and those companies that are producing it, such as Anglo Asian Mining PLC (LON:AAZ) and Goldplat plc (LON:GDP). Even explorers have seen their shares move higher over summer, including Greatland Gold PLC (LON:GGP) and ECR Minerals PLC (LON:ECR).

That's because the gold price has added over US\$200 since the beginning of June, and now sits around US\$1,500 an ounce - levels not seen for over five years.

Gold has a reputation as a 'safe haven', so investors tend to plough into it during times of uncertainty.

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