



THROGMORTON
PRIVATE CAPITAL

Monthly Market Update



December 2021

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November 2021 Market Commentary

“Both global equities and bond yields fell as fears around further restrictions due to the Omicron variant impacted investor sentiment”

Global equities fell in November, with fears over the new “Omicron” variant of Covid-19 weighing on investor sentiment. Bond markets rose with yields falling as investor appetite for riskier assets waned. Oil prices also fell amid worries that the new variant could result in reduced consumer demand and the potential of a new round of national lockdowns, especially in countries whose vaccination programmes have not been as successful as others.

United Kingdom

FTSE All Share: -2.24%

UK equities fell during November as the economically sensitive energy and financial sectors in particular under-performed. Furthermore, the travel and leisure sectors, which are reliant on the economy remaining open, were impacted by tighter international travel restrictions and the requirement to wear face masks in certain settings.

The Bank of England (BoE) refrained from increasing the base rate of interest, which was contrary to market expectations. Many analysts had predicted that the BoE would become the first major developed market central bank to increase interest rates to combat the recent spike in inflation.



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United States

S&P 500: 2.85%

US markets gained in November, albeit investors took into consideration the hawkish commentary from the US Federal Reserve (Fed) as well as the new coronavirus variant. Chair of the Fed, Jerome Powell, commented that the continuing strength of the US recovery, combined with the threat of persistently higher inflation, meant an even swifter tapering of

experienced in the Eurozone era. However, the ECB remained reluctant to tighten monetary policy, with the ECB expecting current price pressures to fade and considering this to be transitory inflation.

Germany's coalition talks reached a conclusion. Olaf Scholz of the Social Democrats (SPD) will succeed Angela Merkel as chancellor, with his party in a coalition

Discrete Monthly Performance as at 30/11/2021



asset purchases is under consideration.

Unemployment in the US remains low, having fallen to 4.6% in October. However, inflation continued to rise and remains significantly higher than the Fed's expectations and longer-term target.

Europe

FTSE Developed Europe ex-UK: -1.71%

Eurozone shares fell in November as rising Covid-19 cases saw some countries re-introduce some restrictions on activity. Investors are worried that further restrictions may be needed to combat the rising cases and new variant. Such action could be damaging to business activity and the economic recovery currently underway.

Inflation was estimated to have risen to 4.9%, up from the previous month and above the European Central Bank's (ECB) 2% target. This represents the highest inflation level ever

government with the Greens and Free Democrats. Climate targets are expected to be a key focus for the new government.

China

CSI 300: 3.80%

Economic data in China showed improvements in both external demand and domestic activity. China's exports showed annual growth of 27% driven in part by strong demand from Europe. Domestically, retail sales were ahead of expectations rising at annual rate of 4.7%. Industrial production also beat market forecasts with a 3.5% annual rise recorded in October. This led to positive market returns.

Japan

MSCI Japan: 1.06%

Renewed short-term uncertainty over the new Covid variant has temporarily obscured an increasingly positive outlook for Japan. Prior to

this, a stable political situation had emerged as Prime Minister Kishida formed his new cabinet after the general election at the end of October. A substantial fiscal stimulus package was announced and could have a significant impact on GDP in 2022. The government is making a significant effort to reinforce the recovery in the domestic economy and the stimulus package is focused on boosting consumption, by giving direct cash handouts.

Economic data released in November provided few surprises as higher commodity prices and supply-chain constraints continue to impact the economy. Q3 GDP showed a contraction in the overall economy, primarily due to the state of emergency throughout Q3. Meanwhile, inflation crept into positive territory, but there is still little chance of Japan experiencing a short-term inflation spike as seen elsewhere.

Emerging Markets

MSCI Emerging Markets: -0.61%

Emerging market equities were down in November as market expectations for earlier

Fed policy tightening, together with uncertainty over the outlook for growth and inflation created by the Omicron variant, weighed on risk appetite.

Turkey was among the weakest markets, as investors contemplated the central bank continuing to cut its interest rate, despite inflation continually to exceed the banks target. Hungary and Poland also performed poorly amid concern that more rapid interest rate hikes could be required. Net energy exporters, notably Russia but also Saudi Arabia and Colombia, lagged as crude oil prices fell.

Global Bonds

Bloomberg Barclays Global Agg: 3.31%

Yields fell as the emergence of the Omicron Covid-19 variant punctured risk appetite in November. Yields were impacted, as inflation in the US, Europe and UK remained elevated. With the Fed rhetoric turning hawkish, US 10-year Treasury yields fell to 1.46%. This fall was mirrored in the UK, which fell from 0.81% as markets were surprised by the BoE decision not to raise the UK base rate of interest.

All investment involves risk. It is important you understand that past performance is not a guarantee of future performance. The value of investments and any income derived from them may go down as well as up and you might not get back the full amount you invested.

Cumulative Performance and Annualised Volatility as at 30/11/2021

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	-2.41	9.54	11.04	7.24
UK Equities	17.40	16.92	30.61	13.72
US Equities	28.53	65.59	109.26	13.20
European Equities	14.96	38.50	62.85	13.32
Japan Equities	4.88	23.02	40.79	11.47
Asia Equities	12.41	40.36	61.46	13.56
China Equities	3.36	70.87	55.23	16.18
Emerging Market Equities	3.63	25.83	48.77	13.07
Global Equities	22.89	54.04	86.78	12.40

Data source FE Analytics 30/11/2021. Indices used: Global Bonds: Bloomberg Barclays Global Aggregate, UK Equities: FTSE All Share, US Equities S&P500, European Equities: FTSE Developed Europe (Ex UK), Japan Equities: MSCI Japan, Asia Equities: FTSE World Asia Pacific (Ex Japan), China: CSI 300, Emerging Markets Equities: MSCI Emerging Markets, Global Equities: MSCI World. Volatility annualised over 5 years.

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