



THROGMORTON
PRIVATE CAPITAL

Monthly Market Update



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“Chinese equities bucked the trend of other markets and finished the month in positive territory as the lockdown policy was reversed”



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December 2022 Market Commentary

Equity markets in general rounded off a volatile year with gains in the last quarter of 2022. Albeit with the exception of China, most major equity markets finished down in December. Chinese shares were boosted by the relaxation of its zero-Covid policy.

Government bond yields edged up in December, meaning prices fell. The rise in yields was in part a reaction to market disappointment that the main Central Banks reiterated their plans to continue to tighten monetary policy, even with inflation showing signs of having peaked.

United Kingdom

FTSE All Share: -1.42%

Despite falling in December, UK equities rose over Q4 2022, helped in part by the country emerging from its September crisis caused by Kwasi Kwarteng's budget, which was subsequently reversed by Jeremy Hunt and reflected the more fiscally conservative reputation of former Chancellor and now Prime Minister, Rishi Sunak. Gilt yields in the UK have since stabilised along with expectations of the future direction of interest rates. The more domestically focused areas of the UK equity market have benefited from this stabilisation as well as the Bank of England's decision to reduce the pace of interest rate rises.

United States

S&P 500: -6.74%

US investors keenly monitored the news flow from the US Federal Reserve (Fed), which indicated that the pace of their policy tightening would slow, and that elevated inflation could be cooling. There were also especially strong corporate earnings in certain sectors. However, equities fell in the month of

than the previous 0.75% hikes. However, investors were cautioned by the ECB President Christine Lagarde warning that the central bank was “not done” with increasing interest rates.

Data showed that the Eurozone economy grew by 0.3% in Q3, but had slowed from 0.8% in the previous quarter. Economic indicators continued to point towards contraction in

Discrete Monthly Performance as at 31/12/2022



December despite some of this cautious optimism.

GDP for Q3 surprised on the upside at 3.2% and employment remains robust with 263,000 jobs being added in November, which means that unemployment is at its lowest level since April 2021. Inflation also fell by 0.1% on the previous month, but remains elevated at 7.1%. The Fed raised interest rates by 0.5% with this path of rate rises expected to continue during Q1 2023.

Europe

FTSE Developed Europe ex UK: -0.73%

Eurozone equities fell in December, but this did not impact the strong advance made in Q4 2022, making it the best performing region during this time period. Equities were supported by hopes that inflation may have peaked in Europe, having fallen to 10.1% in November. Furthermore, the European Central Bank (ECB) raised interest rates by 0.5% in December, which represented a slower pace of increase

the Eurozone economy, albeit the rate of decline has moderated. The economy has been supported by falling gas prices, amid unusually mild weather for the region, which helped alleviate some cost pressures.

China

CSI 300: 2.37%

Chinese equities were one of the only positive major markets in December. The recovery in equities came after Beijing loosened its pandemic restrictions that have constrained China's economic growth since early 2020. This represented an earlier than expected re-opening of the economy. Additional support for the Chinese housing sector also added to the positive investor sentiment.

Japan

MSCI Japan: -0.73%

The Japanese stock market declined in December after two previous positive months

of return. Nevertheless, the total return for Q4 remained positive, partly due to the Yen having weakened against the US dollar for most of 2022. However, the Yen subsequently reversed course in December and strengthened in reaction to the Bank of Japan (BoJ) announcement to widen the band in which it controls their 10 year government bond yield. The BoJ announcement reflected their view that inflation is now stable after prolonged periods of deflation.

Japanese companies continue to post strong earnings results, particularly for the larger companies, which have benefited from Yen weakness. Furthermore, business confidence remains high with a record level of share buybacks having been recorded during 2022.

Emerging Markets

MSCI Emerging Markets: -2.39%

Despite China being a large weighting within the Emerging Market Index, returns were overall negative in December, but did follow the trend of posting positive returns in Q4 2022.

The Middle East markets such as Qatar and Saudi Arabia in particular were a drag on the Index as they were impacted by weaker energy prices. Other notable detractors included India, where macroeconomic data releases were mixed, and Brazil, where the uncertainty surrounding future central government policy clouded the economic outlook after President Lula's election win in October 2022.

Global Bonds

Bloomberg Barclays Global Agg: -0.46%
Government bond yields edged up in December, reflecting some market disappointment at the hawkish tone from some central banks, despite mounting evidence of slowing economic growth. 10-year yields in US and Germany ended 2022 at 3.88% and 2.57% respectively. However, the UK bucked this trend and the 10-year yield actually fell to 3.67%, which represented the positive response to the reversal of the September 'mini budget' proposals, which had been very poorly received by the markets.

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 31/12/2022

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	-5.70	-4.02	3.45	7.04
UK Equities	0.34	7.07	15.50	14.41
US Equities	-8.25	35.43	71.81	15.09
European Equities	-8.20	15.87	24.80	14.57
Japan Equities	-6.14	6.89	13.74	12.49
Asia Equities	-5.28	20.57	29.15	15.61
China Equities	-17.25	10.86	12.49	17.80
Emerging Market Equities	-10.02	1.47	4.82	14.26
Global Equities	-7.83	27.28	51.48	14.06

Data source FE Analytics 31/12/2022. 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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