



THROGMORTON
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Monthly Market Update



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“Oil production cuts caused a rally in energy and commodity stocks, but on the whole, global equities fell in Q3 2023, as did global bonds”



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Q3 2023 Market Commentary

After strong gains in the first half of the year, global equities posted negative returns in Q3 2023. With the exception of the UK, global government bond prices declined as yields rose. Commodities rallied as oil production cuts were announced by Saudi Arabia and Russia.

United Kingdom

FTSE All Share: 1.88%

UK equities rose over Q3 2023 as energy and commodity equities benefited from both Sterling weakness and the sharp recovery in oil prices. Furthermore, some domestically focused sectors also recovered on signs of improving UK consumer confidence and hopes that interest rates may have peaked.

Interest rates were relatively stable as the sell-off in UK Gilts moderated and long-term fixed mortgage interest rates fell. This was in stark contrast with other major developed economies where government bonds sold off during Q3 2023. This subsequently benefited house-builders and real estate companies.

Merger and acquisition activity remained becalmed over Q3 2023, but there were quite a few deals among smaller UK companies, which further supported the market.

United States

S&P 500: 0.64%

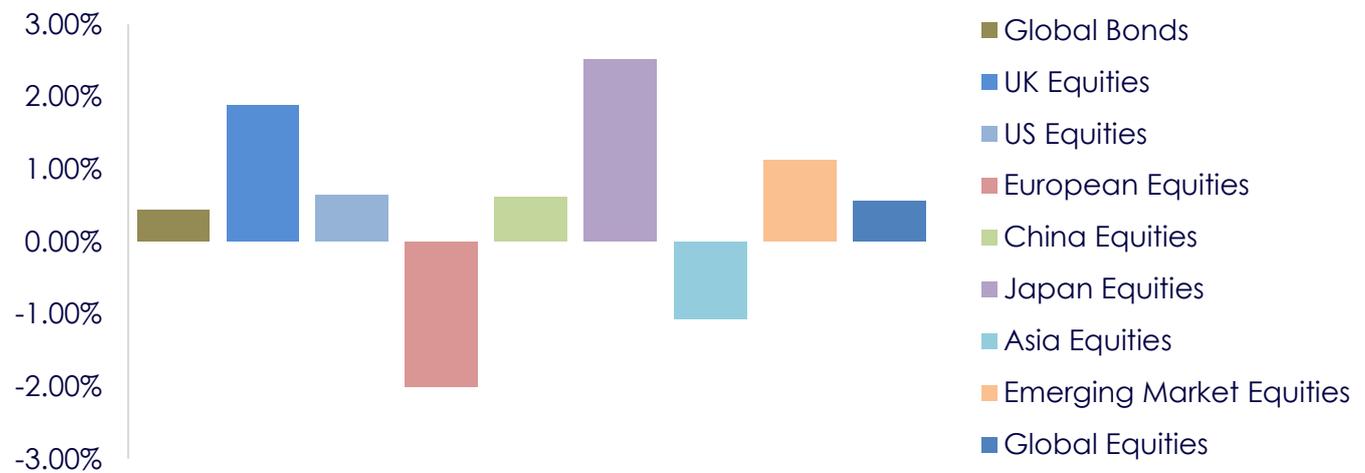
US investors entered Q3 2023 optimistic that the interest rate rising cycle would soon end. However, that optimism declined as the prospect of a sustained period of higher interest rates sank in as data was released indicating the strength of the US economy.

The US labour market remains very strong and

(ECB) to put an end to interest rate rises. The ECB raised interest rates twice in the quarter.

Some of the steepest declines came in the consumer discretionary sector, given concerns over the knock-on effects of higher interest rates on consumers' disposable income. However, the energy sector was a notable exception to the declines, due to the impact of higher oil prices following production cuts.

Discrete Quarterly Performance as at 30/09/2023



whilst declining, the US Purchasing Manager's Index (PMI) remained in expansionary territory. Inflation also rose in September, but remains on a downward trend. The US Fed suggested a further interest rate rise is to come before the end of 2023.

Energy stocks were resilient over Q3 2023 and did not fall like the broader market. Most notably, the "Magnificent Seven" - Apple, Microsoft, Alphabet, Amazon, Tesla, Nvidia and Meta - declined, weighing on the market.

Europe

FTSE Developed Europe ex UK: -2.00%

Eurozone equities fell in Q3 2023, amid investor concerns over the negative effects of interest rate rises on economic growth. However, data released at the end of the quarter showed inflation slowed to a two-year low of 4.3% in the year to September. This could potentially pave the way for the European Central Bank

Other sectors such as financials and real estate registered positive returns, with banks benefiting from rising interest rates.

China

CSI 300: 0.62%

Equities in China experienced a sharp decline after an initial rally as the property sector performed badly. Investors are concerned as to whether there will be sufficient stimulus to put the economy back on track. Furthermore, according to the PMI data, China's economy remains in contraction. The authorities have sought to boost confidence in the stock market by cutting stamp duty on share transactions and slowing the pace of Initial Public Offerings, which draws liquidity away from the wider market and weighs on share prices. Shares in Chinese property company Evergrande were suspended in September following the sharp price falls it has experienced so far in 2023.

Japan

MSCI Japan: 2.51%

The Japanese market demonstrated resilience during Q3 2023. Quarterly earnings results, announced from late July to August, showed solid figures, which were further supported by the weakening of the Yen against other currencies and strong domestic demand.

In late July, the Bank of Japan (BOJ) made monetary policy adjustments that will assist a gradual increase in Japanese government bond yields. There were also suggestions that BOJ Governor, Ueda, could announce an end to its negative interest rate policy by the end of 2023, as inflation remains solid.

Emerging Markets

MSCI Emerging Markets: 1.12%

Despite a strong start to Q3 2023, the MSCI Emerging Markets Index ended the quarter in negative territory, albeit ahead of the MSCI World. Concerns that strength in the US economy will keep interest rates higher for longer had a negative impact on risk appetite.

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.

This was combined with ongoing weakness in the Chinese economy and concerns about the property sector.

Global Bonds

Bloomberg Barclays Global Agg: 0.43%

Despite a significant rise in oil prices, inflation eased which allowed many central banks to indicate a pause on further interest rate rises. During Q3 2023, both the US Fed and ECB raised rates in July by 0.25%, with the latter also raising rates again in September. Despite the US Fed and the Bank of England (BoE) holding rates in September, the market anticipates a longer period of higher interest rates. This drove yields higher and lowered prices in Q2 2023. The 10-year government bond yields in the US and Germany, rose to 4.57% and 2.84%, respectively.

While the BoE raised the base rate to 5.25% in August, slowing inflation allowed the BoE to keep rates unchanged in September. This helped UK Gilts outperform global bonds, with the 10-year UK Gilt yield remaining relatively unchanged.

Cumulative Performance and Annualised Volatility as at 30/09/2023

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	-6.49	-14.62	-1.55	6.81
UK Equities	13.84	39.78	19.71	14.42
US Equities	10.67	39.57	67.03	14.75
European Equities	18.99	24.52	31.17	14.71
Japan Equities	15.17	15.10	18.31	12.47
Asia Equities	6.42	21.10	27.11	16.00
China Equities	-11.63	-15.26	20.28	17.90
Emerging Market Equities	2.16	0.53	9.83	14.68
Global Equities	11.54	33.73	51.66	13.90

Data source FE Analytics 30/09/2023. 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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