



THROGMORTON
PRIVATE CAPITAL

Monthly Market Update



April 2022

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March 2022 Market Commentary

“The invasion of Ukraine caused a shock to both equity and bond markets causing surging inflation as global commodity prices rise”

The Russian invasion of Ukraine has caused a global shock and impacted investment markets. Equities have declined and rising yields have led to falling bond values. Commodity prices have soared, especially given Russia's status as a key producer of commodities including oil, gas and wheat. The increase in commodity prices has further contributed to surging inflation. Furthermore, as Chinese authorities have continued their lockdown policy in reaction to new outbreaks of Covid-19, their equity market has been negatively affected.



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United Kingdom

FTSE All Share: 1.30%

UK equities have been resilient. The main index, the FTSE-100, has exposure to oil, mining, healthcare and banking shares that have all done well in the current economic environment. In particular, the strength of bank shares reflects the expectation of further interest rate rises, with the Bank of England (BoE) already having raised rates ahead of other developed market central banks. The BoE has now increased rates by a combined 0.5%.

According to the Office for Budget Responsibility, inflation is set to

peak at close to 9% this year, but they expect this rate to start falling by Q1 2023. With the impact of inflation in mind, Chancellor Rishi Sunak announced additional consumer support measures within the Spring Statement.

United States

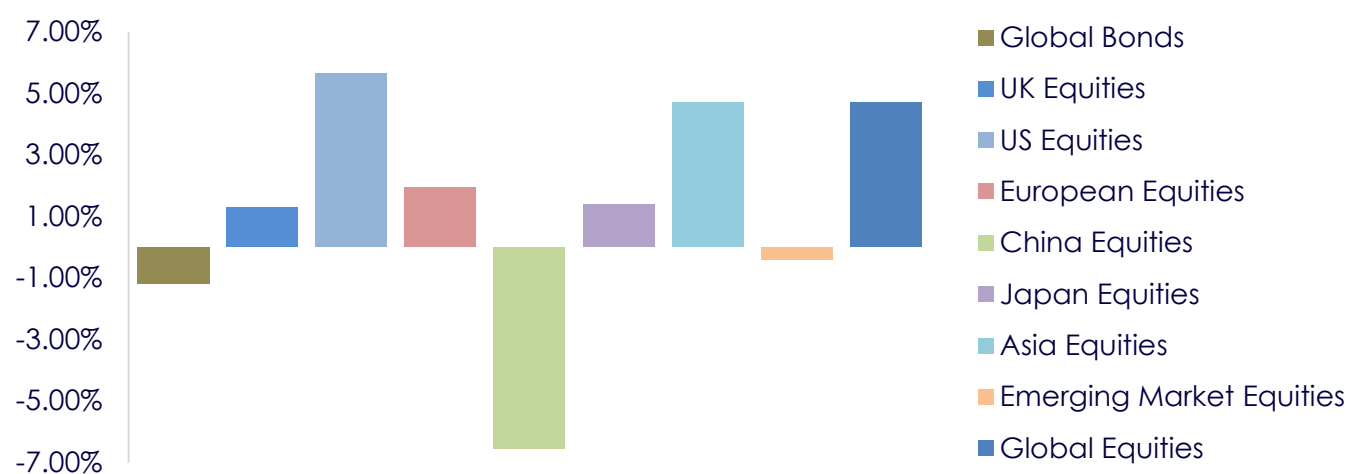
S&P 500: 5.65%

Despite a March rally, US markets declined in Q1 2022. Energy and utility companies were

region's reliance on Russian oil and gas. Energy prices have spiked since the start of the war and this weighed on both business sentiment and consumer demand, both of which have impacted economic activity.

Energy was the only sector to register a positive return in Q1 2022, with the largest declines within the consumer staples and information technology sectors. Supply chains have also

Discrete Monthly Performance as at 31/03/2022



amongst the strongest relative performers, outperforming the falling market with modest gains. Technology and communication services were amongst the weakest sectors.

Russia's invasion of Ukraine has amplified existing concerns over US inflationary pressures, particularly through the rising costs of food and energy. The annual inflation rate, as measured by the consumer price index, reached 7.9% in February. Other economic data remained stable with the unemployment rate falling to 3.6% and wages continuing to rise.

The US Federal Reserve raised interest rates by 0.25%, with members of the board calling for more aggressive tightening of monetary policy.

Europe

FTSE Developed Europe ex UK: 1.93%

Eurozone shares fell sharply in Q1 2022, due to the close economic ties with Ukraine and Russia, particularly when it comes to the

been further disrupted, hitting the availability of manufacturing components for a wide range of products.

The European Central Bank (ECB) has confirmed its intention to end bond purchases by the end of Q3 2022 and that a potential first interest rate rise could occur this year. Annual Eurozone inflation has risen to 7.5% in March.

China

CSI 300: -6.55%

Share prices in China have fallen sharply as the number of Covid-19 cases have spiked to their highest level in more than two years during Q1 2022, despite the Chinese government pursuing some of the world's strictest virus elimination policies. The city of Shanghai, China's financial capital, with a population of 25 million people, went into a partial lockdown at the end of the quarter in a bid to curb a surge in Omicron Covid-19 cases, prompting fears that other parts of the country could also

follow suit.

Japan

MSCI Japan: 1.39%

The Japanese stock market rose in March to end Q1 2022 slightly below its final 2021 level. Despite the geographical proximity, Russia is a relatively small trading partner for Japan, accounting for around 1% of exports and 2% of imports, which means that Japanese markets have not been impacted as much as other countries by the invasion of Ukraine.

Emerging Markets

MSCI Emerging Markets: -0.40%

Emerging market equities were markedly down in Q1 2022 due to geopolitical tensions following Russia's invasion of Ukraine.

Commodity prices in the sector moved higher, raising concerns about the impact on inflation, central bank monetary policy tightening and the worsening outlook for economic growth post Covid-19 pandemic.

Egypt, a major wheat importer, was the

weakest market in the MSCI Emerging Markets Index. Poland, Hungary and South Korea also under-performed the index.

Conversely, the Latin American markets all generated strong gains, led higher by Brazil. Other net commodity exporters posted sizeable gains, including Kuwait, Qatar, the UAE, Saudi Arabia and South Africa. Russia was removed from the index on 9 March.

Global Bonds

Bloomberg Barclays Global Agg: -1.20%

Government bond yields rose sharply during the month as Central banks were surprisingly hawkish and markets priced in a faster pace of monetary policy normalisation. Corporate bonds saw significant negative returns and under-performed government bonds.

The US government bond market is in the midst of a record sell-off, but moves were less pronounced in Europe and the UK. The US 10-year Treasury yield rose from 1.51% to 2.35%, and from 0.97% to 1.61% in comparison to the UK.

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 31/03/2022

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	-1.92	1.02	3.31	7.36
UK Equities	13.03	16.79	25.77	13.66
US Equities	20.67	63.93	94.03	13.56
European Equities	5.70	29.58	36.65	13.44
Japan Equities	-2.00	20.69	27.70	11.62
Asia Equities	5.25	38.58	49.55	13.71
China Equities	-7.82	21.50	39.77	16.50
Emerging Market Equities	-7.12	14.36	26.95	13.02
Global Equities	15.39	50.43	70.56	12.73

Data source FE Analytics 31/03/2022. 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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