



April 2023

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Q1 2023 Market Commentary

"Equities ended Q1 2023 in positive territory despite the shock collapse of Silicon Valley Bank and the arranged take over of Credit Suisse by UBS"

All major global equity indices gained in Q1 2023. Equities were supported by receding recession worries in developed markets and the positive returns came despite the collapse of Silicon Valley Bank (SVB), which caused significant volatility in global bank shares and fears of a new banking crisis. However, Central Banks moved quickly to allay such fears and reassure investors. Over Q1 2023, bond yields fell meaning that prices rose.

United Kingdom

FTSE All Share: 3.08%

UK equities rose over Q1 2023 amid hopes that the Central Banks may be in a position to 'pivot' and start cutting interest rates later in the year. However, the Bank of England (BoE) is expected to continue to raise interest rates whilst inflation continues to remain stubbornly higher than anticipated.

The latest quarterly GDP figures revealed that the UK economy had not contracted in Q4 2022, contrary to consensus expectations. As a result, the UK avoided going into recession. The BoE has said that it still expects the UK to fall into a recession later in 2023. However, the recession is expected be shallower than previously predicted.



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United States

S&P 500: 4.44%

Despite the market turbulence that followed the collapse of Silicon Valley Bank (SVB), investors remained optimistic with US equities ultimately finishing higher at the end of Q1 2023. March did see a sharp dip in share prices, but ultimately finished higher as the US Federal Reserve (US Fed) expressed its confidence in the resilience of the US banking

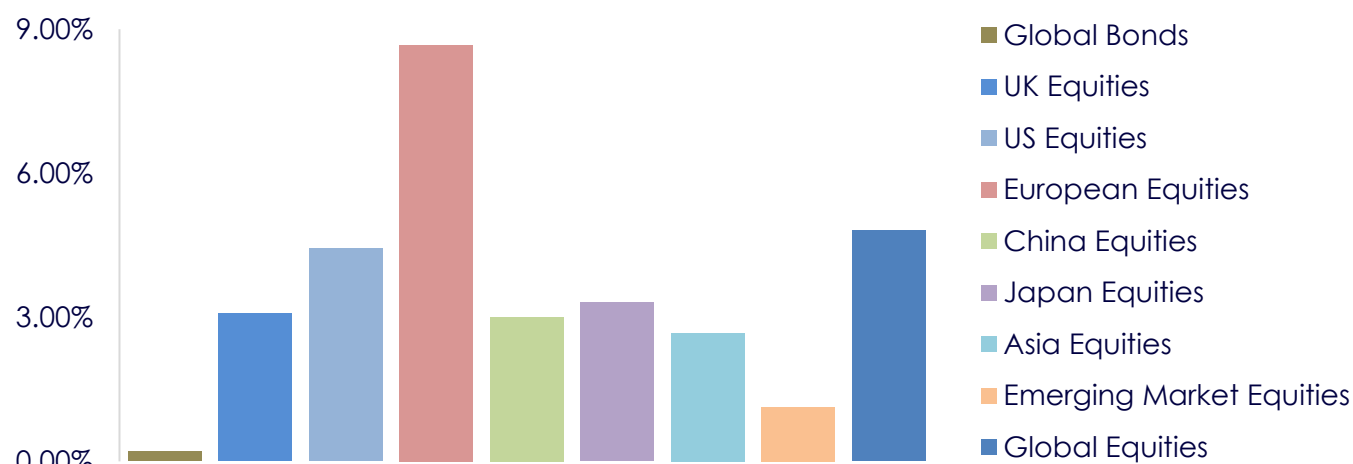
low in March. Inflation fell in March to 6.9%, down from 8.5% the previous month. Economic data was also positive, with the Purchasing Managers' Index reaching a 10-month high of 54.1 in March, which signals that the Eurozone is expanding.

China

CSI 300: 3.01%

At the start of Q1 2023, Chinese equities made

Discrete Monthly Performance as at 31/03/2023



system. This reassurance gave confidence that there was minimal systemic risk in the sector.

During Q1 2023, the US Fed raised interest rates twice. Furthermore, data indicated that inflation is beginning to cool, leading to expectations the interest rate hiking cycle may shortly come to an end.

Europe

FTSE Developed Europe ex UK: 8.68%

The Eurozone equities suffered from concerns about the banking sector, as following the failure of SVB, Credit Suisse was bought by UBS in a deal brokered by the Swiss authorities. However, despite this concern and the resulting volatility in the banking sector, overall equities made strong gains in Q1 2023 being the best performing developed market.

The European Central Bank (ECB) raised interest rates by 0.50% in both February and March, albeit inflation declined to a one-year

very robust gains after Beijing loosened the Covid-19 restrictions that had constrained the country's economic growth. Furthermore, the Central Government introduced measures to support the property market and loosened the regulatory crackdown on technology companies. All of which boosted investor sentiment. However, equity market returns were impacted later in the quarter as US-China tensions re-escalated as the US shot down a high altitude balloon that was discovered in US airspace.

Japan

MSCI Japan: 3.31%

Japanese equities also rose strongly in Q1 2023 despite financial stocks being severely impacted by the banking concerns in the US and Europe. Stocks were helped as the Yen weakened against other major currencies.

Investors' attention was focused on the Bank of Japan (BoJ), following the surprise adjustment

to its yield curve control policy, which was surprisingly left unchanged at the January policy meeting. Furthermore, speculation moved to the potential policy direction of the newly appointed governor, Mr Kazuo Ueda, who is scheduled to replace Mr Kuroda in early April 2023.

The quarterly earnings results announced during Q1 2023 were mixed. Exporters had a difficult time due to the Yen previously being strong at the end of 2022, but domestically focussed companies recorded better-than-expected sales.

Emerging Markets

MSCI Emerging Markets: 1.14%

Emerging markets equities posted positive returns over Q1 2023, but lagged behind developed markets. Confidence was impacted by the concern over the banking system in the US and Europe.

The best-performing markets were the Czech Republic, Mexico, Taiwan, Korea, Peru,

improving economic data and optimism about global growth.

South Africa lagged the wider index as it continued to suffer from the electricity crisis and also being 'grey-listed' by the Financial Action Task Force, given deficiencies in its processes to combat money laundering and terrorist financing. India generated negative returns amid allegations of fraud and share price manipulation at a major conglomerate early in Q1 2023.

Global Bonds

Bloomberg Barclays Global Agg: 0.21%

As markets reacted to fears of a banking crisis, bond markets went from expecting further interest rate hikes to anticipating sizeable interest rate cuts in certain markets. In particular, this prompted a sharp rally in government bonds.

10-year yields in the US fell from 3.92% to 3.47%. In Germany and the UK, 10-year yields also fell from 2.65% to 2.29% and 3.71% to 3.49%

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 31/03/2023

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	-2.10	-9.68	6.06	6.81
UK Equities	2.92	47.41	27.85	14.44
US Equities	-2.25	64.91	87.77	14.95
European Equities	7.64	52.58	42.37	14.67
Japan Equities	0.92	24.20	20.84	12.49
Asia Equities	-4.05	54.70	38.15	15.91
China Equities	-3.51	20.96	20.01	17.91
Emerging Market Equities	-4.91	25.72	8.40	14.46
Global Equities	-0.99	58.16	66.77	13.98

Data source FE Analytics 31/03/2023. 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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