



## December 2023

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“Both equities and bonds rallied in November with the expectation that Central Banks have reached their peak for the interest rate raising cycle. ”



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## November 2023 Market Commentary

November was a positive month for equities as slowing inflation in the US and other regions gave rise to hopes that interest rates may have reached their peak. Chinese equities bucked this trend, as limited Government stimulus did not appease investor concerns about lacklustre economic growth.

Global bond markets benefitted from falling yields, which meant prices rose. This reversed the trend of recent months, where yields had continued to creep up and prices fall.

### United Kingdom

FTSE All Share: 2.99%

UK equities rose over November, but lagged behind several other regions. Investor confidence has built on the belief that interest rates may have peaked. Furthermore, inflation has sharply slowed to 4.6%, having been 6.7%, the previous month. However, a drag on the market was the data released by the Office for National Statistics, which showed no growth in UK GDP in Q3 2023.

The UK economy did receive a boost from the Chancellor of the Exchequer, Jeremy Hunt, who announced in the Autumn Statement numerous unexpected policy measures, such as the extension of the

100% capital expenditure allowance, which allows UK companies to deduct expenditure on plants and machinery from their taxable income.

## United States

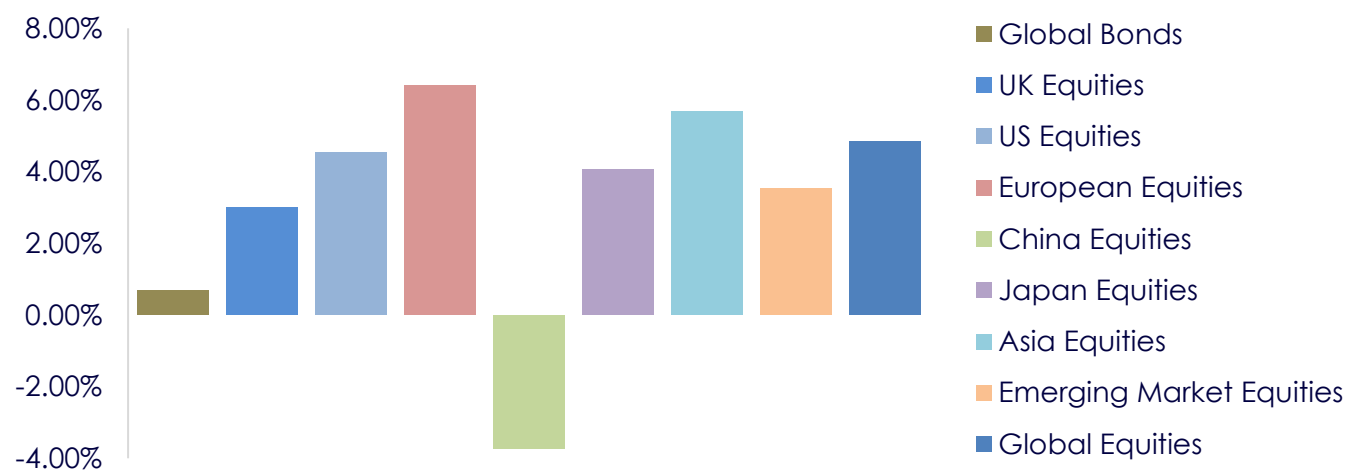
S&P 500: 4.54%

There were strong gains in US equities in November, as inflation fell to 3.2%, which has raised hopes that it is on course to fall back to

be 2.4%, which prompted hopes that price pressures may be easing and that interest rates may soon be cut.

As with the US, comments from European Central Bank (ECB) President, Christine Lagarde, were more cautious. She said that Eurozone inflation would come back to the 2% target if rates remained at current levels for "long enough". Such bearish comments were

## Discrete Quarterly Performance as at 30/11/2023



the US Federal Reserve's (Fed) 2% target. This may mean that further interest rate hikes are not be needed.

Minutes from the Fed's recent meeting indicated that it still has concerns over the level of inflation, which was also reiterated in the Fed Chairman, Jerome Powell's, closing comments where he stated that "the Fed is not thinking about rate cuts right now".

The economic data also painted a mixed picture, as whilst Q3 2023 US GDP showed an upward revision to 5.2%, the manufacturing sector showed weakness, with the Purchasing Managers Index (PMI) indicating economic contraction, with a reading of 46.7.

## Europe

FTSE Developed Europe ex UK: 6.40%

Inflation in the Eurozone dropped more steeply than expected. This boosted equities, which made strong returns. Inflation was estimated to

supported by the release of PMI data, which showed business activity has continued to contract with a reading of 47.1.

## China

CSI 300: -3.71%

Chinese stocks fell in November, which was in contrast to most developed markets and some of its regional peers. This was due to ongoing concerns over weaker Chinese economic growth and fears that stimulus measures by the Chinese government wouldn't be sufficient. The ongoing real estate crisis also weakened sentiment towards Chinese stocks.

## Japan

MSCI Japan: 4.05%

The Japanese equity market rebounded in November, as investor sentiment improved and foreign investors took advantage of the weakening Yen and bought stock.

The overall macroeconomic picture remains somewhat subdued, as the Q3 2023 GDP data, showed weaker-than-expected domestic demand, consumption, and capital expenditure. Furthermore, Prime Minister Kishida and his administration having diminishing popularity, which is viewed as a risk to the economy. However, corporate earnings remain strong, and this is supporting the expectation of further wage growth next year.

Emerging Markets

MSCI Emerging Markets: 3.52%

Emerging markets gained strongly in November, albeit slightly behind developed markets. The gains came against a backdrop of what appears to be a “soft landing” for the US economy and increased expectations of interest rate cuts from the US Fed in 2024.

Technology stocks boosted Korea & Taiwan, albeit Egypt was the top-performing index. However, the energy based markets, such as UAE, Qatar and Saudi Arabia, underperformed given softer energy prices. China was a drag

on the index, but Thailand was the weakest market on the index as it announced weaker than expected Q3 2023 GDP.

Global Bonds

Bloomberg Barclays Global Agg: 0.69%

November was a positive month for fixed income markets. Both Government and Corporate bonds rallied amid growing speculation that Central Banks might be very close to ending interest rate hikes.

The US Fed kept interest rates on hold, albeit with a relatively dovish tone to the accompanying statement. This saw 10 year yields fall to 4.34%.

Meanwhile, the Bank of England kept its interest rate unchanged at 5.25%. This enabled the yield on a 10 year gilt to fall to 4.18%.

This situation was mirrored In Europe, especially as inflation fell more than expected in the Eurozone and markets anticipated an end to interest rate hikes. The 10-year German Bund yield dropped to 2.45%.

**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 30/11/2023

	1 Year %	3 Years %	5 Years %	Volatility % <sup>2</sup>
Global Bonds	-4.00	-13.43	-2.83	6.80
UK Equities	1.79	27.32	26.80	14.36
US Equities	6.56	37.47	77.11	14.63
European Equities	9.26	20.55	45.24	14.70
Japan Equities	8.74	7.33	25.88	12.34
Asia Equities	-0.91	11.04	38.66	15.73
China Equities	-12.29	-27.13	20.46	17.68
Emerging Market Equities	-1.97	-6.81	13.15	14.38
Global Equities	6.29	29.34	62.13	13.80

Data source FE Analytics 30/11/2023. 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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