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Monthly Market Update

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"Global equity markets started strongly in January, as signs of inflation peaking, lower rate rises and China reopening boosted investor sentiment"

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January 2023 Market Commentary

Equities started strongly in January 2023 with gains across the vast majority of global markets. A number of factors contributed to this positive start, including China's decision to relax its zero-Covid policy and signs that inflation may have peaked. Furthermore, Central Banks may be close to the peak of their rate hiking cycle, with the pace of rates hikes also slowing. Emerging markets outperformed developed markets. It was also a better month for bonds as yields fell, which meant prices rose.

United Kingdom

FTSE All Share: 4.50%

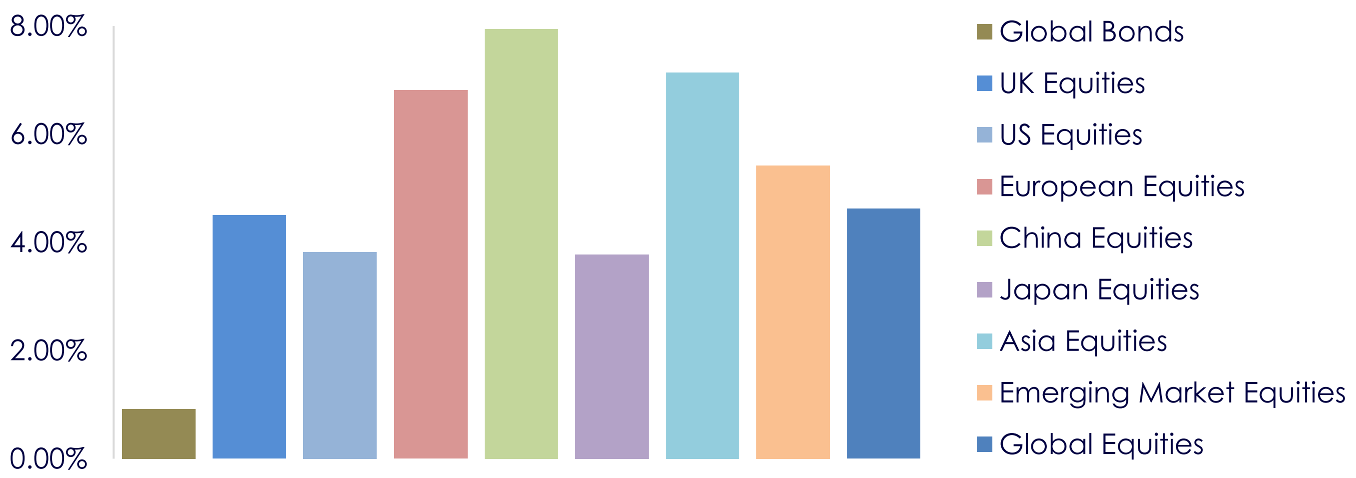
UK equities gained in January, with the market buoyed by the growing hope that the US Federal Reserve might be in a position to start cutting interest rates later in 2023. Domestically focused stocks fared particularly well amid signs that the UK economy is holding up much better than predicted. The macroeconomic data released, suggested that growth had been more resilient than previously thought, partly helped by an easing of energy prices, driving hopes for a milder than feared recession. GDP for November revealed that the UK economy unexpectedly grew in November, expanding by 0.1%.

United States

S&P 500: 3.82%

Inflation cooled for the sixth successive month and led to US equities making robust gains in January. Inflation dropped from 7.1% to 6.5% as energy and food costs moderated. GDP also came in stronger than anticipated at 2.9%. Employment data remains strong, with new jobless claims of 186,000, being the lowest since April last year and well below the 205,000 forecasted. This has led to expectation of slower interest rate rises from the US Federal Reserve going forward.

Discrete Monthly Performance as at 31/01/2023



Europe

FTSE Developed Europe ex UK: 6.81%

European shares were among the best regional performers in January. Technology, consumer discretionary and real estate shares enjoyed a rebound after a poor performance in 2022. Within consumer discretionary, luxury goods stocks were particularly strong following the news of China's economic reopening.

Data showed the Eurozone economy grew 0.1% in Q4 2022, which represented a fall from the previous quarter. The result was better than expected and raised hopes that the Eurozone may avoid recession.

Inflation edged lower again, falling from 10.2% to 9.2%. The highest contributors to the persistently high inflation came from food, alcohol and tobacco. However, as energy prices slipped below their elevated levels of 2022, the rate eased. European Central Bank (ECB) President, Christine Lagarde, warned that further interest rate rises would still be needed to return inflation to the 2% target.

China

CSI 300: 7.94%

Chinese shares achieved robust gains in January after a poor return in 2022. These gains were driven by the loosening of Covid-19 restrictions that were constraining the country's economic growth since early 2020. Furthermore, the Government has introduced measures to support the country's property market and eased the regulatory crackdown on China's technology companies. This news bolstered investor sentiment.

Japan

MSCI Japan: 3.78%

Japanese equities rose in January and reversed the decline from the previous month. Investors' attention remained focused on the Bank of Japan (BoJ) who had surprised the market in mid-December by adjusting their yield curve control policy. With yields reaching the BoJ upper limit during January, speculation mounted that more changes could be made at policy committee meeting, which did not materialise. Inflation remains over the BoJ's 2%

target, but it is debatable as to whether this will be sustainable. Preliminary surveys of wage negotiations suggest that moderate wage growth is probable, but it may not be sufficiently high to provide a definitive trigger for any policy change by the BoJ.

Emerging Markets

MSCI Emerging Markets: 5.42%

Emerging market equities benefited from January's improved economic outlook and sentiment. Signs of cooling inflation in the developed world fuelled optimism that interest rates may soon peak, which should ultimately benefit growth in the index.

The Czech Republic, Mexico, Taiwan and Korea were the notable performers in the index as the outlook for global growth and trade improved. Chile and Peru performed better than the index too, helped by higher copper prices as optimism about China's re-opening drove industrial metals prices higher.

Brazil under-performed as macroeconomic data softened and inflation rose. South Africa also under-performed as it continues to suffer from an ongoing energy crisis. Qatar and Saudi Arabia were also impacted by generally weaker energy prices. India generated negative returns amid allegations of fraud and share price manipulation at a major conglomerate.

Global Bonds

Bloomberg Barclays Global Agg: 0.92%

Global government bond yields fell in January as encouraging news on inflation rallied the market. US 10-year yields fell from 3.88% to 3.51%. Germany's 10-year yield declined from 2.57% to 2.29%. and the UK 10-year yield fell from 3.67% to 3.34%. Corporate bonds outperformed government bonds.

Yields fell on the expectation that inflation may have peaked, especially in the US. Furthermore, many of the central bank meetings signalled a lower pace of interest rate rises, albeit as inflation remains elevated in Europe a hawkish response from the ECB is expected.

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 31/01/2023

	1 Year %	3 Years %	5 Years %	Volatility %2
Global Bonds	-3.76	-4.84	8.46	6.83
UK Equities	5.20	15.64	23.08	14.49
US Equities	-0.47	40.01	77.41	15.14
European Equities	3.57	25.73	31.71	14.85
Japan Equities	1.64	11.91	18.65	12.58
Asia Equities	6.06	33.18	38.75	15.89
China Equities	-4.36	20.63	16.22	18.03
Emerging Market Equities	-4.23	11.65	7.23	14.40
Global Equities	0.86	33.32	58.25	14.16

Data source FE Analytics 31/01/2023. Indices used: Global Bonds: Boomberg 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.