



**THROGMORTON**  
PRIVATE CAPITAL

# Monthly Market Update



## November 2021

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### October 2021 Market Commentary

"After a weak start to October, many equity indices registered new highs as better news about China and encouraging corporate earnings buoyed investor sentiment "

Global stock markets mostly gained in October after a weak start. Many registered new highs during the course of the month and were supported by encouraging corporate earnings and an easing of fears around China's property sector. In the US, 80% of the firms who announced their results beat analysts' earnings expectations.

Fixed interest markets remained volatile. However, government bond yields broadly rose (yields move as the inverse to prices) as central banks indicated they were prepared to withdraw monetary policy accommodation in light of the rising inflationary pressures.

#### **United Kingdom**

FTSE All Share: 1.82%

UK equities rose over October, helped by strong corporate reporting. Banks performed particularly well amid growing expectations that the US Federal Reserve and Bank of England (BoE) would soon react to the rising inflationary pressures.

However, the expectations that the BoE might raise interest rates soon impacted UK domestically focused stocks where, in relative terms they under performed, in comparison to those stocks which benefit from overseas earnings.



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Investor sentiment in the UK was also impacted by the fear that Covid restrictions may be re-imposed as infection rates rose. Furthermore, supply disruptions remain evident with many retailers reporting gaps on their shelves.

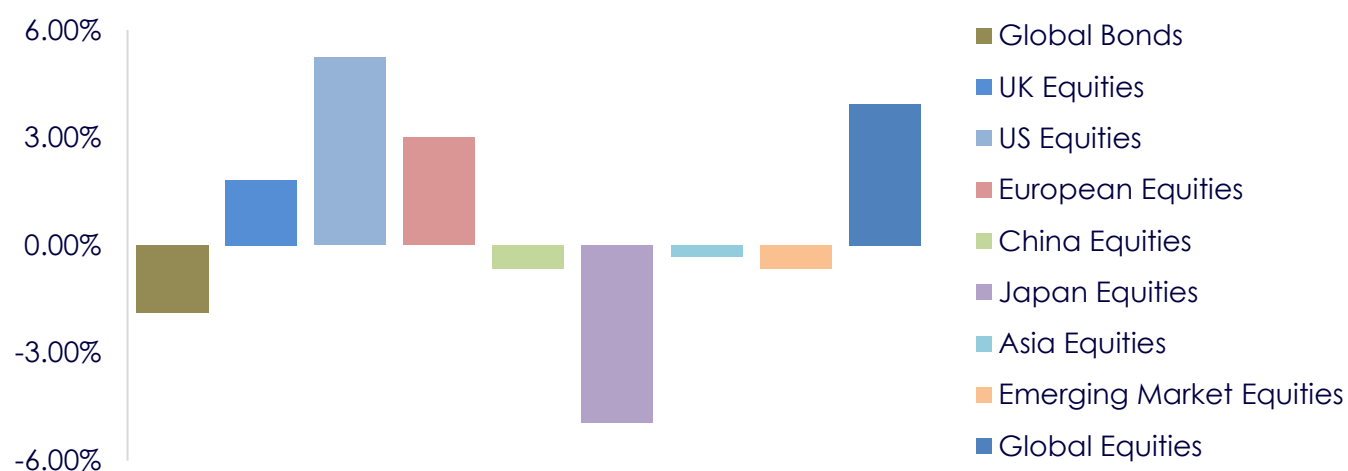
Neither the positive signs of momentum in the continuing economic recovery nor the positive outlook presented within the Budget were sufficient to lift the negative investor sentiment.

## Europe

FTSE Developed Europe ex-UK: 3.00%  
Despite rising cost pressures, companies in Europe reported strong consumer demand, which helped stocks to gain over the month.

Energy prices soared in Europe at the start of the month amid a shortage of natural gas. However, this reversed towards the month end after the Russian President, Putin, called for

## Discrete Monthly Performance as at 31/10/2021



## United States

S&P 500: 5.23%

US equities gained in October, where corporate earnings were generally strong. However, there were reporting disappointments from Apple and Amazon. Apple put this down to supply disruptions and Amazon intimated that labour shortages had added to their costs.

The economic data released indicated a slowdown in growth falling to 2.0% on a month on month basis. However, consumer confidence remains high, with the fall in growth being put down to ongoing supply chain disruptions and shortages curtailing spending, more than a fall in demand.

The economic data did not dissuade the US Federal Reserve from its plan to taper quantitative easing to a full stop by mid-next year (2022). Elevated inflation figures are still held by the central bank to be transitory.

Gazprom to fill European storage facilities. This did impact inflation, which was estimated to rise to 4.1% for October, up from 3.4% the previous month. However, the European Central Bank (ECB) reiterated that it expects the current spike in inflation to prove transitory. Meanwhile, Q3 GDP growth was 2.2%, compared to 2.1% in Q2.

## China

CSI 300: -0.64%

Despite an ongoing decline in the number of new Covid-19 cases, shares were weaker towards the end of the month. Concerns over rising energy prices and higher inflation weighing on investor sentiment. Furthermore, tensions between the US and China on a number of issues including Covid-19, cyber security and computer chips also dented returns towards the end of October.

China recorded a modestly positive performance, with property stocks rallying after

real estate group, Evergrande, made an interest payment on its debt during the month, allaying fears over a potential default and a spill over into the wider market. There was a rally in Internet and e-commerce stocks, which had been negatively impacted by Chinese government regulatory action earlier this year.

## Japan

MSCI Japan: -4.94%

Although the state of emergency ceased at the end of September, stock indices declined by 1.4% in October.

Investor sentiment was impacted by the uncertainty surrounding the outcome of the general election and the impact this would have on any subsequent stimulus package. The expectation is that a substantial fiscal stimulus package is forthcoming and will include direct cash handouts to households in an effort to kick-start a consumption recovery in the first half of 2022. However, until the election is resolved, the exact nature of the package will remain unknown.

## Emerging Markets

MSCI Emerging Markets: -0.66%

Many emerging market equities recorded a positive return in October. Indonesia, Russia, Qatar, Saudi Arabia, and Kuwait outperformed the general index, amid energy price strength. By contrast, Brazil and Chilean equities registered the greatest declines, with inflationary issues and political uncertainties impacting investor sentiment. India and South Korea also recorded negative returns amid disappointing Q3 corporate earnings.

## Global Bonds

Bloomberg Barclays Global Agg: -1.87%

Government bond yields broadly rose as central banks indicated they were prepared to withdraw monetary policy accommodation in light of rising inflationary pressures.

Within the corporate bond market, US investment grade bonds were modestly positive, but on the whole under-performed government bonds amid broader bond market price volatility.

**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 31/10/2021

	1 Year %	3 Years %	5 Years %	Volatility % <sup>2</sup>
Global Bonds	-6.85	6.52	0.86	7.64
UK Equities	35.40	17.64	31.43	13.70
US Equities	34.22	64.41	106.01	13.18
European Equities	32.81	40.10	56.57	13.58
Japan Equities	13.08	22.39	32.85	11.70
Asia Equities	25.00	43.56	55.75	13.71
China Equities	4.18	66.57	52.36	16.13
Emerging Market Equities	10.33	32.01	39.54	13.49
Global Equities	32.46	53.95	82.70	12.43

Data source FE Analytics 31/10/2021. 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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