



THROGMORTON
PRIVATE CAPITAL

Monthly Market Update



November 2022

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October 2022 Market Commentary

“The expectation of greater fiscal responsibility due to Rishi Sunak’s appointment as UK Prime Minister led to a rally in UK stocks and bonds”

October saw a rally in developed market equities, but in stark contrast emerging market equities fell. Chinese equities were particularly weak as President Xi reiterated that his zero-Covid policy would continue to be enforced for the foreseeable future.

It was also another disappointing month for global bonds. Albeit the UK bucked this trend, as Gilt valuations rose, their yields fell, with the market reacting positively to the appointment of Rishi Sunak as Prime Minister and the expectation of greater fiscal responsibility.

United Kingdom

FTSE All Share: 3.11%

The appointment of Rishi Sunak as leader of the Conservative Party and, by extension, as the new Prime Minister, led to a positive market reaction for both UK equities and bonds in October. Domestically focused stocks in particular performed very well.

However, UK macroeconomic data deteriorated, with the economy unexpectedly shrinking by 0.3% in August. Furthermore, other business surveys suggested that weakness has continued into subsequent months, intimating that the UK is already in recession.



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United States

S&P 500: 4.77%

It was a positive month for US equities following recent declines. Corporate earnings remain robust, with around 75% of companies having delivered better-than-expected results.

The rise in US equities came despite weakening economic data and the US Federal Reserve (Fed) confirming that it will continue to combat

The European Commission has acted, introducing regulation to cap energy prices and measures to purchase gas jointly. Furthermore, worries over gas shortages eased with storage facilities close to capacity.

China

CSI 300: -7.93%

Chinese and Hong Kong equities sold off sharply in October, with the sell-off particularly

Discrete Monthly Performance as at 31/10/2022



high inflation through tighter monetary policy. The minutes from the Fed Meeting indicated that the Fed members felt "the risk of tightening too much far outweighs the risk of doing too little".

Europe

FTSE Developed Europe ex UK: 4.25%

Energy and industrial sectors helped Eurozone equities move higher in October, with Q3 corporate earnings being generally quite resilient. The European Central Bank (ECB) raised interest rates by 0.75% and acknowledged that the Eurozone economy may be heading for recession. Markets took this as a sign that the pace of future rate rises may ease, which in turn supported European equities. Furthermore, the Eurozone economy grew by 0.2% in Q3 after growth of 0.8% in Q2.

Inflation remains a concern as it reached a new high of 10.7%, with energy unsurprisingly continuing to be the largest contributor.

severe in technology stocks. Markets fell on concerns that President Xi may continue with policies focused on reducing China's exposure to foreign interests and influence at the expense of economic growth, with potentially negative consequences for domestic companies. Furthermore, new US export controls on the semiconductor industry, which will restrict Chinese companies' access to such components, and the news that China would not be relaxing its zero-Covid policy, also weakened investor sentiment.

Japan

Topix: -0.17%

Japanese equities ended October fairly flat, with a number of companies reporting solid results in Q3. Inflation remained at 3.0% and although this rate is approaching the Bank of Japan's (BoJ) target level, BoJ Governor Kuroda remained downbeat on the sustainability of inflation heading into 2023. As a result, the BoJ confirmed no change in its

policy for the foreseeable future, which is being counteracted by government initiatives such as energy subsidies aimed at limiting increases in the cost-of-living.

Emerging Markets

MSCI Emerging Markets: -6.05%

Emerging market equities didn't participate in the rally seen in developed markets. The MSCI EM Index fell, with China being the worst performer. Other countries had relatively better performance, with the likes of Saudi Arabia, UAE and Kuwait all benefiting from the OPEC oil production cuts and subsequent higher prices. Brazil also performed relatively well as volatility subsided and the currency strengthened after President Lula regained power in the general election.

Global Bonds

Bloomberg Barclays Global Agg: -3.71%

October proved to be a better month for global bonds, with the UK notably being the best performer. The fiscal U-turn in the UK following the Truss / Kwarteng "mini-budget"

crisis reassured markets, as did the appointment of Rishi Sunak as the new UK Prime Minister. The Bank of England (BoE) also ended its gilt purchasing programme. 10-year gilt yields remained relatively high, but fell from 4.15% to 3.51%, which provided some relief as capital values subsequently increased.

US Treasuries under-performed other major markets, as better-than-expected labour market data and the upside surprise in inflation once again reinforced the hawkish stance of the US Fed. This saw the US 10-year yield rise from 3.83% to 4.05%.

Yields in Europe rose as they reacted to the ECB rate rise and the new all-time high rate of inflation in the Eurozone. The 10-year bond yield in Germany rose from 2.11% to 2.14%.

In the corporate bond markets, UK corporate bonds outperformed their global counterparts. The performance of the UK corporate bond sector was driven by the events surrounding the UK's domestic politics and the restoration of a sense of calm.

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 31/10/2022

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	-5.69	-7.13	2.26	7.03
UK Equities	-2.78	7.09	12.69	14.23
US Equities	1.19	48.27	84.53	14.67
European Equities	-12.55	10.85	15.16	14.19
Japan Equities	-10.32	1.83	10.01	12.21
Asia Equities	-10.97	13.71	20.95	14.77
China Equities	-18.55	9.95	7.81	17.79
Emerging Market Equities	-17.88	-1.85	-1.44	13.46
Global Equities	-2.94	34.27	57.09	13.75

Data source FE Analytics 31/10/2022. 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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