



THROGMORTON
PRIVATE CAPITAL

Monthly Market Update



September 2022

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August 2022 Market Commentary

“Both equities and bonds were badly impacted by expectations that interest rates will have to rise even further to combat soaring inflation”

After posting positive returns in July, equities became more volatile in August as it became clear that further interest rate rises may be needed to tame inflation, with expectations that these rises may need to be substantial. However, emerging market and Japanese equities posted reasonable gains. Bond yields rose, meaning prices fell, which impacted portfolio valuations.

United Kingdom

FTSE All Share: -1.70%

UK equities fell over the month. However, the energy and banking sectors held up well as oil companies are expected to benefit from the ongoing inflationary environment, whilst banks are seen as a beneficiary of higher interest rates. Consumer focused stocks fared less well amid these rising energy prices and interest rate hikes, with UK households facing a potentially acute income squeeze.

Political uncertainty also weighed on investor sentiment. The resignation of UK Prime Minister, Boris Johnson, put a block on any major policies being introduced until a new leader was elected. Many questions remain concerning how consumers and businesses will be supported amid an intensifying energy crisis.



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The Office for National Statistics estimated that the UK economy contracted by 0.6% in the month of June. However, this was better than the consensus expectation which forecast a contraction of 1.3%.

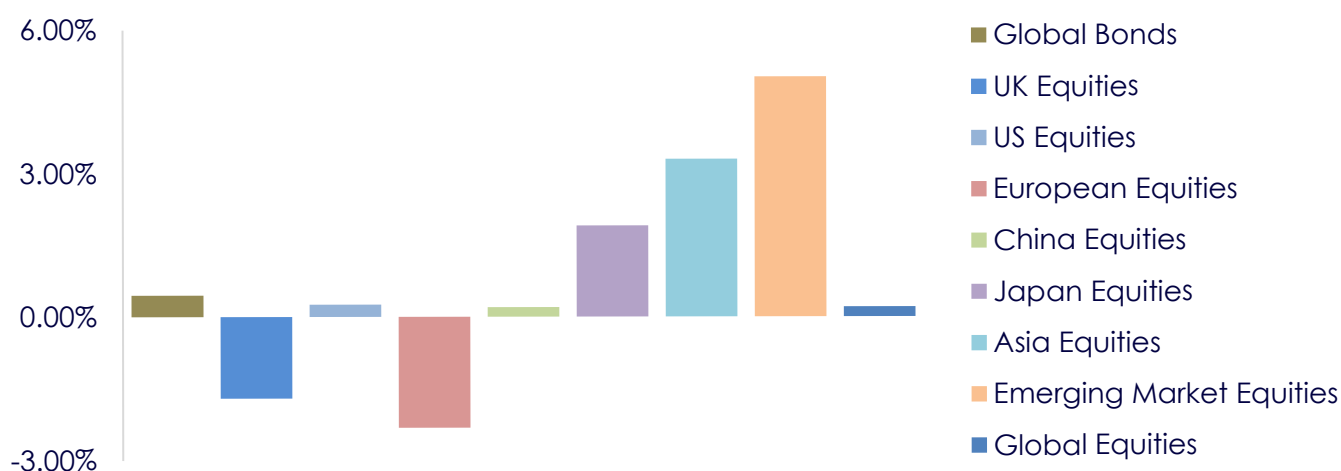
United States

S&P 500: 0.26%

Overall US equities produced a marginally positive return but declined late in August after

over supply and high costs. Russia halted supplies of natural gas from the Nord Stream 1 Pipeline to Germany and several of France's nuclear reactors were offline for longer than expected for maintenance. Further upward pressure on energy prices has come from the drought as low water levels on the Rhine have affected the delivery of coal to coal-fired power plants.

Discrete Monthly Performance as at 31/08/2022



the US Federal Reserve (Fed) Chair, Jerome Powell, said the US Central Bank would need to keep monetary policy tight "for sometime" in a bid to tackle soaring inflation. US inflation was 8.5% in July, down from 9.1% the previous month. The US jobs market remains robust with employment growing by a larger-than-expected 528,000 in July.

The US Congress passed the Inflation Reduction Act. This aims to reduce inflation by curbing the US federal fiscal deficit, as well as investing in domestic sources of clean energy.

Europe

FTSE Developed Europe ex UK: -2.32%

Eurozone shares fell in August amid ongoing worries over inflation, particularly in the form of high gas and electricity prices. The energy sector was the only one to post a positive return.

The energy crisis has intensified amid worries

inflation in the Eurozone is estimated to have increased to 9.1% in August, which has led to the European Central Bank indicating that a further interest rate rise will come at their meeting in September.

China

CSI 300: 0.20%

Shares in China made barely positive gains in August on concerns over rising interest rates. The spread of Covid-19 throughout China also weakened sentiment, prompting fears of further lockdowns as the country continues to pursue its "zero tolerance" policy. Investor sentiment was further weakened after data was released showing that factory activity had continued to contract.

Japan

Topix: 1.91%

The Japanese stock market rose in August driven by strong quarterly results and an anticipated peak in US inflation. Corporate

results were ahead of expectations and profit margins resilient. Data also suggests that Japanese inflation may also be persistent at a moderate level, which after decades of deflation is welcome news. In July inflation was measured at 2.4%. GDP growth estimates for Q2 2022 were slightly lower than consensus expectations at 2.2%, but this was interpreted positively with some resilience shown in the consumption and capital expenditure data.

Emerging Markets

MSCI Emerging Markets: 5.02%

Emerging market equities posted positive returns in August, significantly outperforming developed markets. This was despite fears of a global recession and the US Federal Reserve maintaining a hawkish tone.

Turkey was the best performing market in the index, delivering double-digit returns after the Central Bank cut interest rates, despite soaring inflation. India benefited from improved macroeconomic data releases, including easing in inflationary pressures. Despite weaker

oil prices over the month, both Saudi Arabia and Qatar outperformed.

The Czech Republic and Poland were the weakest EM markets, negatively impacted by the deteriorating outlook for energy supply. Not only has the European gas crisis escalated, but local coal shortages in Poland ahead of winter, threaten the country's power production.

Global Bonds

Bloomberg Barclays Global Agg: 0.45%
Government bond yields rose sharply, meaning prices fell, as inflation remained elevated and central banks reaffirmed their commitment to combat this through interest rate hikes. 10 year bond yields rose in the US to 3.13%, to 2.80% in the UK and 1.53% in Germany.

Corporate bonds saw negative returns, albeit US investment grade and euro high yield bonds outperformed government bonds.

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 31/08/2022

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	-2.55	-8.52	2.89	7.15
UK Equities	1.01	12.01	17.77	13.92
US Equities	4.52	46.42	88.55	14.38
European Equities	-12.38	11.21	16.94	13.90
Japan Equities	-4.15	12.09	22.06	12.10
Asia Equities	-2.01	29.30	37.27	14.30
China Equities	-3.90	23.58	25.48	17.49
Emerging Market Equities	-7.51	13.49	14.06	12.96
Global Equities	0.45	34.70	61.62	13.47

Data source FE Analytics 31/08/2022. 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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