

Global Market Overview January 2024

As we entered the second half of 2023, global inflation was cooling, and this provided support to the investor perception that interest rates were near or already at their peak. This expectation has helped to make a soft landing the most likely scenario for global economies. In response, investors found a renewed appetite for risk assets which resulted in a rush to deploy cash into investments; consequently, there is the potential for the larger developed markets to retrench in the coming months.

With this more positive backdrop in place, the returns from financial markets in the fourth quarter of 2023 were good, despite continued volatility which was mostly due to the heightened geo-political concerns in the Middle East. Almost all global equity markets performed well in both November and December, and fixed interest assets (bonds) also provided good capital increases which were driven by the expectation of interest rate cuts in 2024.

During 2023, somewhat surprisingly, we saw a very strong recovery in US equity indices, principally driven by growth stocks. It is, however, important to state that a small number of technology/AI companies have been the major drivers of these strong index returns, and these are being referred to as the ‘Magnificent Seven’ in the financial press. Inflation also cooled in the UK, albeit to a lesser degree than Europe or the US. Pleasingly, however, the UK equity market also performed well in the final quarter of 2023 but, somewhat frustratingly, continues to lag behind its developed peers. It remains, however, one of the highest-yielding equity markets, and we believe it offers good opportunities on a comparative valuation basis with other developed markets, most especially in the mid-cap space.

The outlier with respect to inflation is Japan, where we are seeing a move away from stagnation to reflation. As a result, Japanese equities performed strongly in 2023. The Bank of Japan is following a different path from other global central banks by gradually changing its accommodative policies, with a view to normalising monetary policies. The expectation is that we will eventually see a move away from negative rates; this change does have the potential to impact global markets significantly should the Japanese begin to reverse their US\$3 Trillion of global investments, but for now the timing remains unclear.

Emerging markets were slightly ahead in their interest rate rises, and this provides the opportunity for them to cut earlier than developed markets without reigniting inflation, although this could lead to increased volatility and may lead to unfavourable currency exchange rates in some economies; nevertheless, emerging markets remain a potentially attractive region for investor returns. China is, however, facing a number of systemic challenges, but the recent monetary policies to address liquidity concerns will not, in isolation, resolve these issues.

Politics, and particularly the US presidential election in November, with both Democrat and Republican candidates making promises to the electorate, will continue to exert influence over US monetary and fiscal policy. The usual result of this is that both consumer and investor confidence is boosted. Historically, presidential election years are positive years for the stock market. Furthermore, a general election in the UK is now expected sometime in the autumn.

During 2023, we have learnt that economies can withstand higher interest rates and still provide positive growth. There remains a careful balance to be struck by central banks to support growth without reigniting inflation, but overall, most analysts expect developed economies to experience a ‘soft landing’ rather than a recession. During 2024, we will be monitoring these potential developments closely and adjusting portfolio positioning as required.

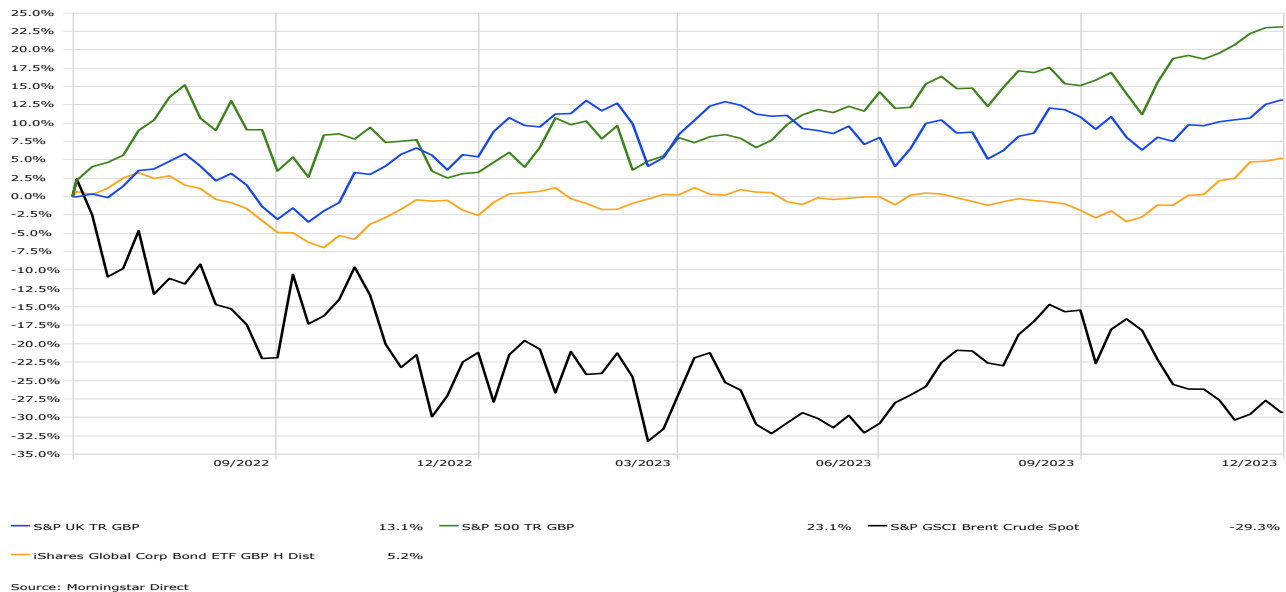


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Eighteen months to end December 2023 – percentage price/return



Index, Benchmark and Exchange Traded Fund – percentage growth to end December 2023

	Currency	Three Months	Six Months	One Year	Three Years
Asset Risk Consultants Indices*					
ARC Cautious PCI TR GBP	GBP	4.01	4.34	4.43	0.57
ARC Balanced Asset PCI TR GBP	GBP	4.89	4.92	5.98	3.65
ARC Steady Growth PCI TR GBP	GBP	5.27	5.02	7.26	6.14
ARC Equity Risk PCI TR GBP	GBP	5.53	4.99	8.10	7.58
ARC Cautious PCI TR USD	USD	5.03	3.67	6.99	-2.09
ARC Balanced Asset PCI TR USD	USD	6.83	4.45	10.34	0.90
ARC Steady Growth PCI TR USD	USD	8.23	5.04	13.42	5.06
ARC Equity Risk PCI TR USD	USD	9.85	5.56	17.53	6.68
Fixed Interest/Bonds					
Bloomberg Global High Yield TR Hedged	GBP	7.49	7.89	12.59	0.89
Bloomberg Sterling Gilts TR GBP	GBP	8.57	7.78	3.56	-26.53
iShares Global Corp Bond ETF GBP Hedged Distribution	GBP	7.21	5.24	7.97	-9.79
US Equities					
S&P 500 TR GBP	GBP	6.94	7.74	19.16	42.72
S&P 500 TR USD	USD	11.69	8.04	26.29	33.10
NASDAQ 100 TR USD	USD	14.60	11.32	55.13	33.74
UK Equities					
iShares FTSE 250 ETF GBP Distribution	GBP	8.41	8.35	7.55	2.82
S&P UK TR GBP	GBP	2.07	4.72	7.33	37.41
Japanese Equities					
Nikkei 225 Average TR JPY	YEN	5.23	1.79	30.96	29.44
TOPIX 500 PR JPY	YEN	1.79	3.17	25.52	31.35
European Equities					
iShares STOXX Europe 600 (DE) Distribution	Euro	6.70	4.44	16.03	29.96
MSCI AC Europe GR LCL	Euro	5.71	3.71	15.38	28.79
Asia and Emerging Equities					
Morningstar Asia GR GBP	GBP	2.80	5.35	6.51	-0.44
iShares Core MSCI Emerging Markets ETF	GBP	7.90	4.86	11.30	-11.38
Morningstar China GR GBP	GBP	-7.64	-5.95	-15.43	-39.74
Global Equities					
MSCI World All Cap PR LCL	Various	9.53	6.16	20.12	20.85
MSCI World ex USA All Cap PR LCL	Various	4.92	2.95	11.98	16.83
Global Property and Infrastructure					
Morningstar Global Equity Infrastructure PR GBP	GBP	5.39	1.32	-2.47	12.65
S&P Global Property TR USD	USD	14.52	9.23	10.44	3.68
Commodities and UK RPI					
S&P GSCI Brent Crude Spot	USD	-16.44	2.16	-10.32	48.73
S&P GSCI Gold Spot	USD	11.02	7.38	13.45	9.32
UK RPI	N/A	0.16	0.69	5.16	28.30

Important Information

Data source: graphs, economic and market data - Morningstar Direct. NB: Asset Risk Consultants Indices contain estimated numbers. TR is Total Return. PR is Price Return. GR is Gross Return. With investment, your capital is at risk. Opinions constitute our judgement as of this date and are subject to change without warning. The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your initial investment. Past performance is not a reliable indicator of future results and forecasts are not a reliable indicator of future performance. LAM accepts no responsibility for any direct, indirect, or consequential loss suffered by you or any other person as a result of your acting, or deciding not to act, in reliance upon any information contained in this document. The information in this document does not constitute advice or a recommendation and you should not make any investment decisions based on it. If you do, however, require advice we would of course be happy to assist.

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