

Global Market Overview July 2023

Stock markets delivered disappointing returns in 2022 with the MSCI World Index falling around 17%, and the returns from financial markets in the first half of 2023 have been mixed. The sharp increase in inflation within developed economies has led central banks to raise interest rates rapidly, and it remains unclear when this cycle will end. Inflation appears to be abating across most developed economies, but the UK continues to struggle in its fight to suppress inflationary forces. Therefore, despite some good news on the inflation front, we believe it is wise to be cautious.

It is far from certain that central banks will be successful in creating a soft landing or that the Federal Reserve will cut rates any time soon, and, as a consequence, it is possible that the current short-term outlook, and thereby some stock prices, are too optimistic. In the US, despite the steepest rise in US interest rates in forty years, we have seen a strong recovery in the levels of core US equity indices; these returns have, however, primarily been driven by a handful of mega-cap stocks supported by investors' expectations of an AI-dominated future.

It does appear that inflationary pressures are diminishing, but at very different rates within global economies, and analysts do currently predict that a number of Western countries are close to peak rates in this current cycle. Wage inflation is, however, proving especially sticky, and that creates a vicious cycle as higher prices result in higher wages, which in turn results in higher prices. The UK also has additional inflationary drivers to overcome, but it is helpful that energy inflation is reducing, and we are now beginning to see some reduction in food price inflation as well.

The falls seen in global equity markets in 2022, coupled with the return to 'normal' interest rate levels, also created a sharp repricing of fixed interest securities which reinstated their attractiveness within a diversified portfolio but, as ever, prudent selection is required. The longer-term attractiveness of equities during inflationary periods is already well known, and we anticipate that ongoing uncertainties should provide opportunities for the patient investor. For example, the UK equity markets' discounted valuation relative to other developed markets is significant, and most especially within UK mid- and small-cap equities.

The outlook for the second half of 2023 remains uncertain because the macro background remains challenging. While inflation is falling, it is unlikely to return to the comfort level of around 3% this year, and it is already doubtful whether that could actually be achieved by central bank action alone. Additionally, within equities we have seen significant divergence in performance across regions, market cap, sectors and investment styles. The expectation that the second half of 2023 will be supported by the laggards may, therefore, be too optimistic as the 'underperformers' are often cyclical in nature, and more sensitive to interest rate cycles which generally have a delayed impact.

Much of the developed world is forecast to go into recession, except the US, although this is no guarantee that the US will avoid one. There are still many uncertainties, especially concerning resolution of the Russian invasion of Ukraine, and it is understandable that investors remain unsettled. The returns from diversified portfolios, especially for the sterling investor, have also been discouraging for the past two years but history suggests that bear market periods are often short-lived when compared to bull market periods. We advocate, therefore, that investors maintain their longer-term objectives by staying invested, as the recovery in depressed asset values is often very marked and swift when the interest rate cycle turns.

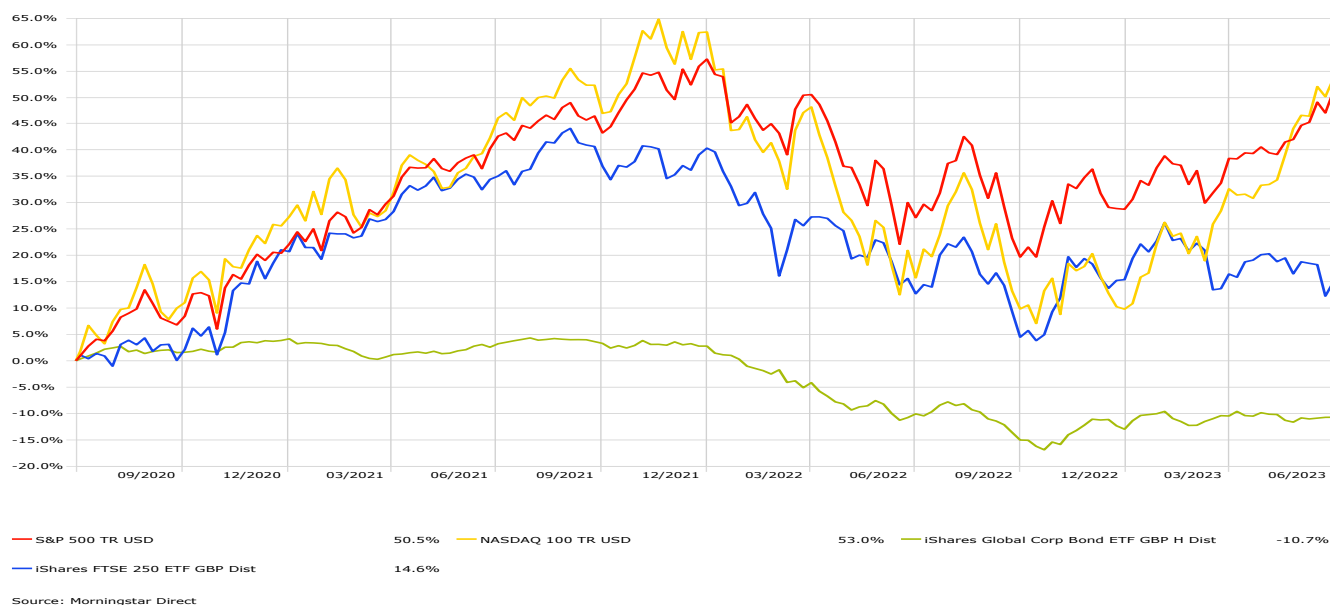


Melissa Longley FCSI
Chartered Wealth Manager
CEO & Chief Investment Officer
Email: melissa.longley@lamasset.com



Paul Stevens FCSI
Chartered Wealth Manager
Investment Manager
Email: paul.stevens@lamasset.com

Three Years to end June 2023 – percentage price/return



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

		Three Months	Six Months	One Year	Three Years
Asset Risk Consultants Indices*					
ARC Cautious PCI TR GBP	GBP	-0.80	0.13	-0.33	1.06
ARC Balanced Asset PCI TR GBP	GBP	-0.30	1.24	1.49	6.07
ARC Steady Growth PCI TR GBP	GBP	-0.01	2.04	3.01	10.36
ARC Equity Risk PCI TR GBP	GBP	0.29	2.64	4.43	14.45
ARC Cautious PCI TR USD	USD	0.79	3.34	3.13	0.55
ARC Balanced Asset PCI TR USD	USD	2.38	6.15	6.47	8.85
ARC Steady Growth PCI TR USD	USD	3.59	8.41	9.42	16.77
ARC Equity Risk PCI TR USD	USD	4.89	11.50	13.45	22.25
Fixed Interest/Bonds					
Bloomberg Global High Yield TR	GBP	1.74	4.36	8.50	2.85
Bloomberg Sterling Gilts TR GBP	GBP	-5.95	-3.91	-15.54	-32.31
iShares Global Corp Bond ETF GBP	GBP	-0.27	2.60	-0.03	-10.71
US Equities					
S&P 500 TR GBP	GBP	5.76	10.60	14.24	46.27
S&P 500 TR USD	USD	8.74	16.89	19.59	50.51
NASDAQ 100 TR USD	USD	15.39	39.35	33.13	53.02
UK Equities and RPI					
iShares FTSE 250 ETF GBP	GBP	-1.65	-0.74	1.45	14.55
iShares MSCI UK Small Cap ETF	GBP	-1.60	0.00	-0.15	6.80
UK RPI		-	-	10.38	28.22
Japan Equities					
Nikkei 225 Average TR JPY	Yen	18.54	28.65	28.60	57.80
TOPIX 500 PR JPY	Yen	14.83	21.66	22.64	48.05
Europe Equities					
iShares STOXX Europe 600 (DE)	Euro	2.48	11.10	16.76	38.77
MSCI AC Europe GR LCL	Euro	2.36	11.25	18.12	37.76
Asia and Emerging Market					
Morningstar Asia GR GBP	GBP	-0.66	1.11	2.29	9.19
iShares Core MSCI Emerging	GBP	1.83	6.15	2.89	11.12
Morningstar China GR GBP	GBP	-11.62	-10.07	-19.31	-27.37
Global Equities					
MSCI World All Cap PR LCL	Various	6.21	13.14	15.59	36.83
MSCI World ex USA All Cap PR	Various	2.71	8.77	12.47	28.23
Global Property, and					
S&P Global Property TR USD	USD	0.77	1.11	-4.04	9.88
Morningstar Global Equity Infra' PR	GBP	-2.09	-3.74	-3.29	17.47
Commodities					
S&P GSCI Brent Crude Spot	USD	-5.61	-12.22	-30.84	82.72
S&P GSCI Gold Spot	USD	-2.86	5.65	6.76	7.16

Important Information

Source for graphs, economic and market data: Morningstar Direct. *Asset Risk Consultants' data contains 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.