Market Commentary
December 2023

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SNAPSHOT

- Markets rallied as developed market inflation showed signs of slowing.
- Equities and bonds remain highly correlated, mitigating diversification benefits for investors.
- Commodities traded lower in aggregate, although gold returned positive.

All percentages below are monthly returns for November 2023

EQUITIES

US MARKETS

Economic and inflation data buoyed prices

8.9%

US 500

UK MARKETS

Positive but lagged developed peers

2.5%

UK ALL SHARE

EMERGING MARKETS

Benefited from US dollar performance

7.9%

EM

BOND MARKETS

BONDS

Latest inflation prints powered a rally

UK GILTS	2.9%
US TREASURIES	3.5%
GLOBAL CORPORATE BONDS	1.8%
GLOBAL HIGH YIELD BONDS	1.4%

*Values represent bond index returns

CURRENCIES

CURRENCIES

Sterling gained ground versus pairs

Pound vs Other Currencies

GBP vs USD	GBP vs JPY	GBP vs EUR	GBP vs CNY
3.9%	1.6%	0.9%	1.3%

KEY INDICATORS

GOLD – XAU/USD

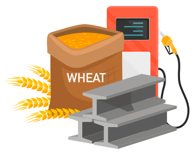
2.6%

OIL – BRENT CRUDE

-5.2%

COMMODITIES

-7.6%



INFLATION – UK CPI (YOY)

4.6%

DISCLAIMER – The value of investments and the income from them can go down as well as up and past performance is not a guide to future performance. Returns are in local currency unless indicated otherwise. Source: Bloomberg.

GLOBAL MARKETS

Markets remain data-dependent with two factors at the fore – inflation and slowing economic growth. Any surprises versus expectations will likely drive equity and bond market performance in the coming periods.

US MARKETS

Rallied on better inflation and economic data

US equities rallied, driven by declining inflation and better economic metrics. The October readings for the US Consumer Price Index fell to 3.2% for 'Headline' and 4.0% for 'Core', with declining energy costs (oil and natural gas) the largest contributing factor. Within equities, large cap stocks outperformed their smaller cap counterparts, and S&P500 value-style equities (with real estate a top performing sector) faring better than growth, despite technology's strong performance. The economy continues to show signs of slowing, with retail sales declining and credit card balances and defaults climbing. Falling inflation led to declines in yields and a weakening of the dollar.

8.9%

US 500

UK MARKETS

Muted returns compared to developed market peers

In the UK, market moves were less meaningful relative to developed market peers. The best performing areas were financials and consumer-focused sectors, while energy and mining declined as both oil and gas prices traded lower alongside gold and metals. The Bank of England decided to keep interest rates steady, which aided investor sentiment. The 10-year Gilt yield declined as inflation concerns moderated. The UK is displaying signs of economic slowdown, with sluggishness in the housing market and lower consumer expenditures major factors. Sterling strengthened against major pairs, but was a headwind to performance for UK investors with unhedged foreign assets.

2.5%

UK All Share

EUROPEAN MARKETS

Positive performance on the back of better economic data

The European market was positive as equities and bonds rallied in tandem, owing to strong US economic data feed-through and inflation falling more than expected, back toward the European Central Bank's (ECB) long term target of 2%. Within equities, small caps outperformed large cap stocks and growth stocks outperformed their value counterparts. Despite signs of slowing, the ECB maintained interest rates and its somewhat hawkish guidance. The euro appreciated against the dollar, however retail sales, manufacturing, and services PMI's remain in contractionary territory. GDP growth has turned negative in recent periods.

7.5%

Euro 600 Index

JAPAN MARKETS

Rise on better economic data

Japan saw rises in both the Nikkei 225 as well as the broader TOPIX index through November. In local currency terms, the country continues to be the best performing market across major economies year-to-date, ahead of Europe and the US. During the month, market momentum was fuelled by a confluence of domestic earnings' releases and weakness in the yen. For stocks, large cap stocks outperformed small caps and growth outperformed value, contrary to the year-to-date trend. The Bank of Japan maintained its accommodative stance, making minor adjustments to yield curve controls but pledging to patiently maintain its policy.

5.4%

Japan Index

THE WORLD AT A GLANCE

	2018	2019	2020	2021	2022	November 2023	Year to Date
UK CASH	0.6%	0.7%	0.2%	0.0%	1.4%	0.4%	4.3%
US DOLLAR INDEX	4.4%	0.2%	-6.7%	6.4%	8.2%	-3.0%	0.0%
UK GILTS	0.6%	6.9%	8.3%	-5.2%	-23.8%	2.9%	-1.6%
US TREASURIES	0.9%	6.9%	8.0%	-2.3%	-12.5%	3.5%	0.7%
GLOBAL CORPORATE BONDS	2.1%	7.3%	7.1%	-1.9%	-6.8%	1.8%	0.7%
GLOBAL HIGH YIELD BONDS	1.6%	8.3%	3.8%	2.0%	-2.3%	1.4%	5.0%
US 500	-6.2%	28.9%	16.3%	26.9%	-19.4%	8.9%	19.0%
UK ALL SHARE INDEX	-13.0%	14.2%	-12.5%	14.5%	-3.2%	2.5%	-0.5%
EURO 600 INDEX EX UK	-13.0%	24.2%	1.0%	22.4%	-14.9%	7.5%	10.5%
JAPAN INDEX	-17.8%	15.2%	4.8%	10.4%	-5.1%	5.4%	25.5%
ASIA EX JAPAN	-12.3%	17.9%	22.4%	-3.1%	-15.4%	5.1%	3.4%
EMERGING MARKETS	-16.6%	15.4%	15.8%	-4.6%	-22.4%	7.9%	3.2%
COMMODITIES	-8.5%	13.1%	-26.1%	41.6%	41.9%	-7.6%	-5.9%
GOLD	-2.8%	18.0%	20.9%	-4.3%	-0.7%	2.6%	11.6%
HEDGE FUNDS	-6.7%	8.6%	6.8%	3.7%	-4.4%	0.0%	1.0%

Source: Bloomberg

Total Return – Local Currency

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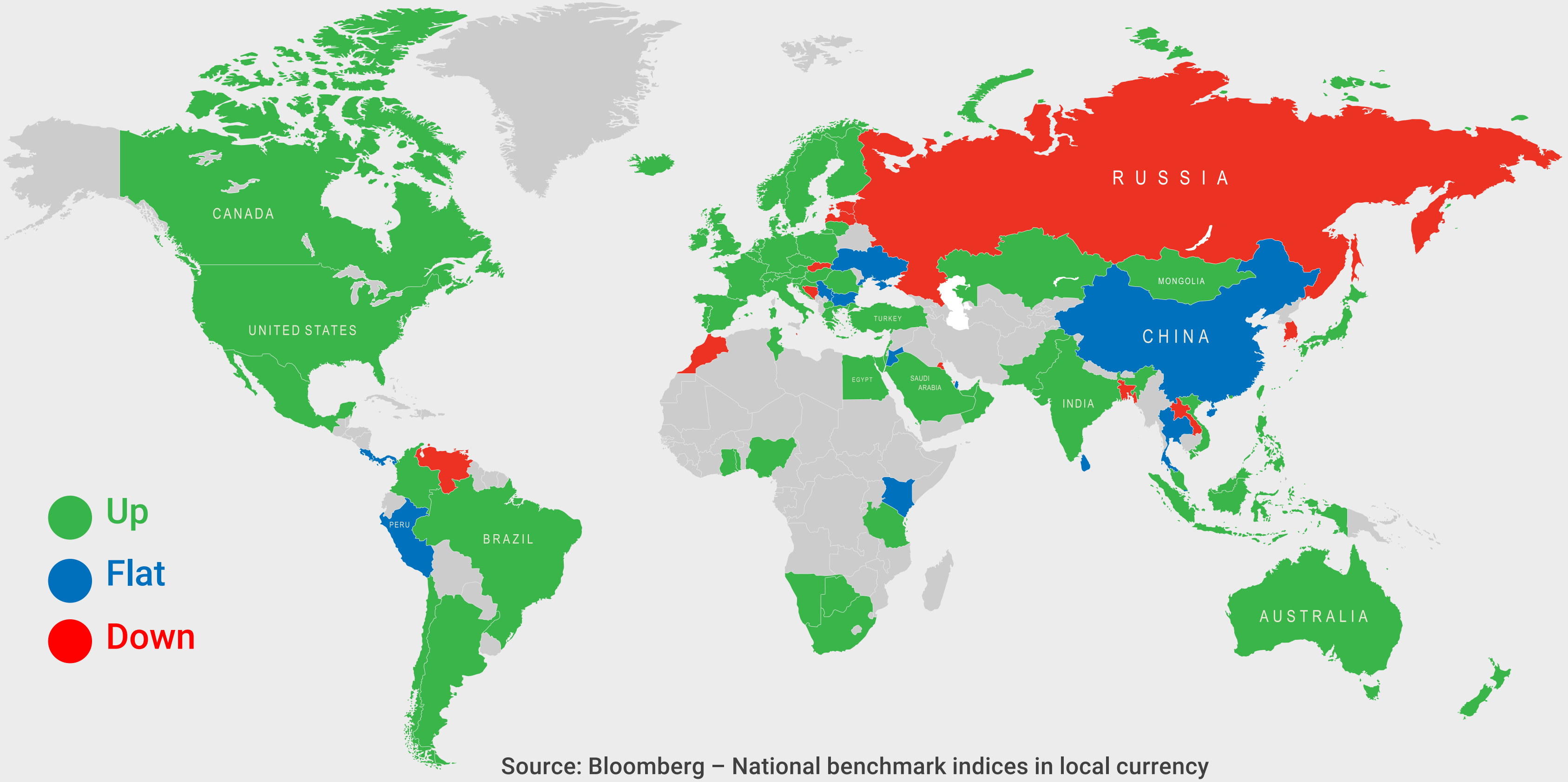
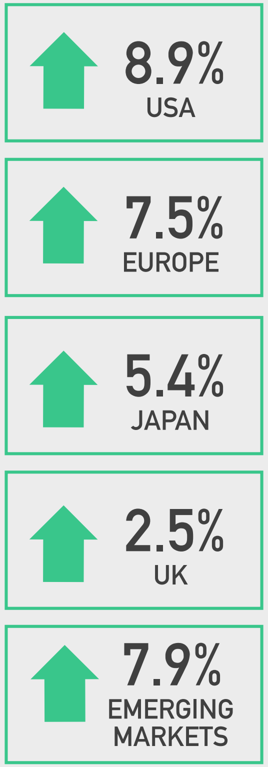
WORLD EQUITY MARKETS



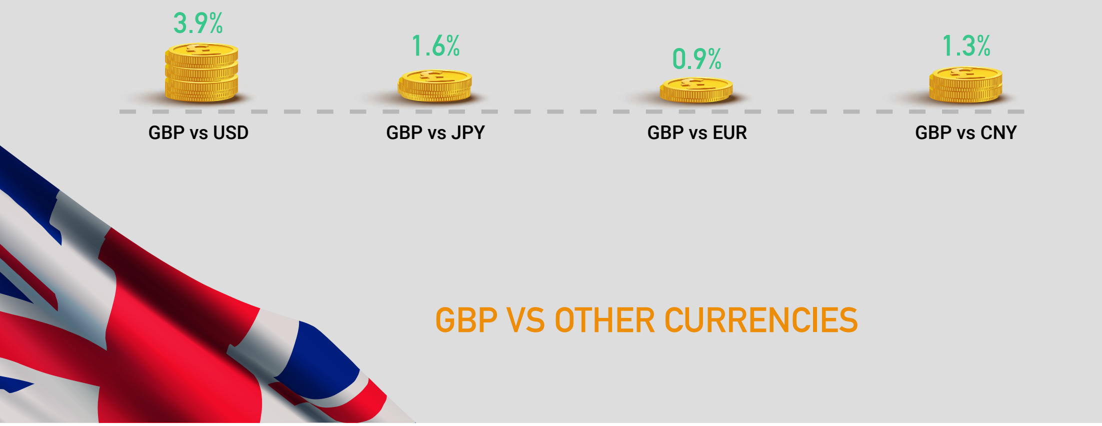


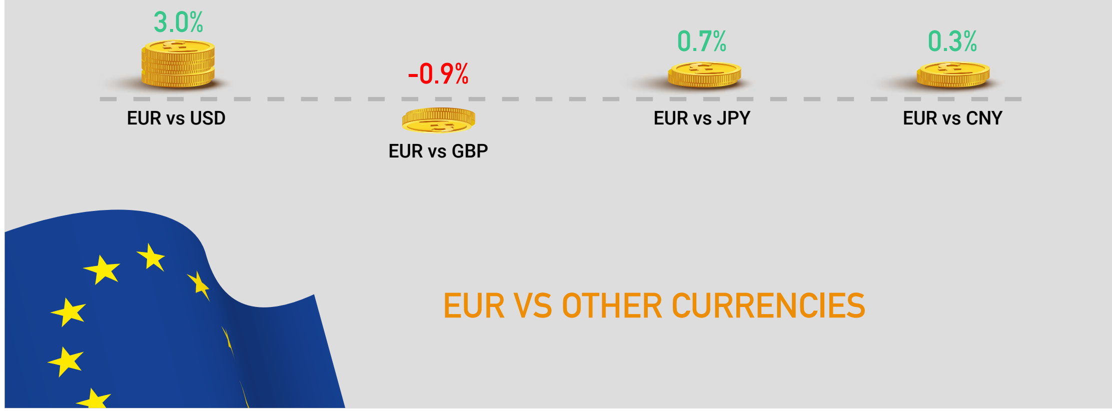
Source: Bloomberg – National benchmark indices in local currency

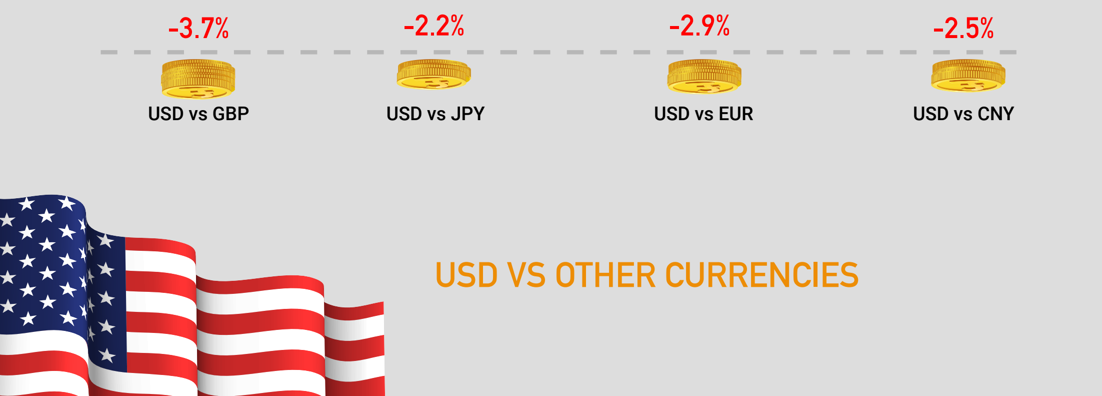
Key Points

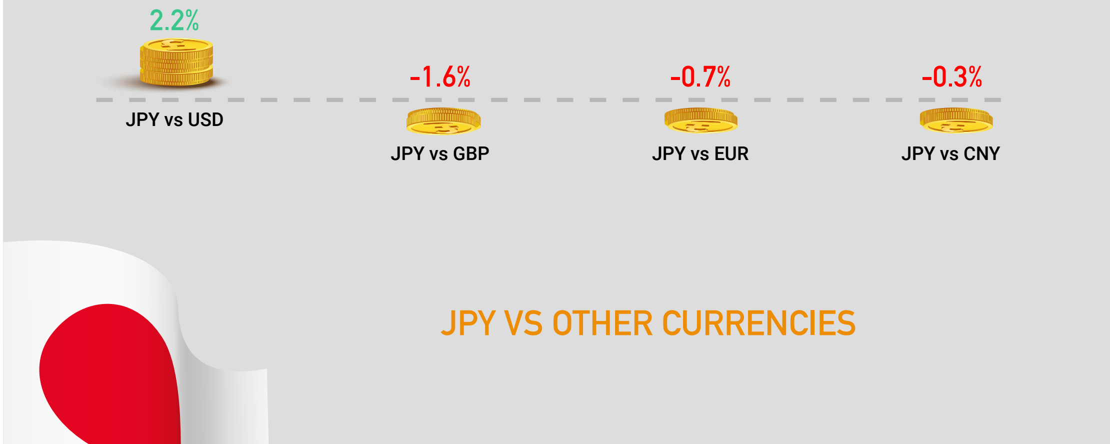
- Developed market equities outperformed emerging market counterparts, led by strong performance from US, European and Japanese equity markets, among others.
- The best performers from a sector perspective were technology (+13.7%), real estate (+12.3%) and financials (+10.8%). Despite notching a slight positive return, the poorest performing sector was energy (+0.3%) as the price of crude fell to $80 a barrel.
- Year-to-date equity investors have benefited the most from an exposure to Japan (+28.6%), the US (+20.8%) and Europe (+13.7%), while the UK (+3.3%) and Asia-ex Japan (+2.7% in USD) have underperformed in relative terms.
- In aggregate, emerging markets have struggled, underperforming developed markets year-to-date and posting negative returns (in USD terms) for the past two calendar years. Much of this is owed to the ongoing uncertainty surrounding China and its teetering property market.

CURRENCIES







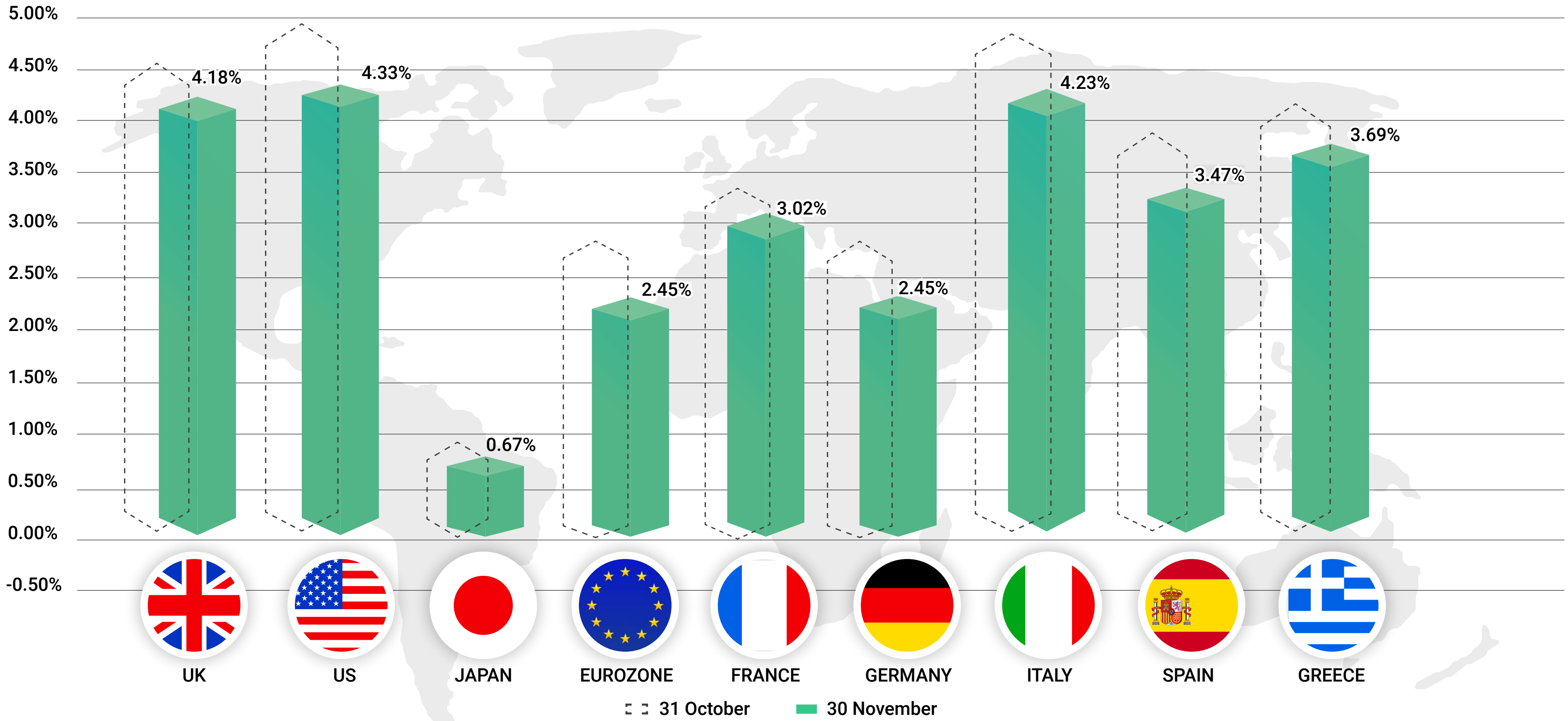


Key Points

- The best performing major currency was the UK pound, gaining against the US dollar (+3.9%), euro (+0.9%) and Japanese yen (+1.6%).
- Despite signs that growth in the European region is slowing, the euro also performed well against the dollar and yen, moving briefly above $1.10, a level which it has not traded at since August.
- The Chinese yuan also weakened against sterling and the euro. The People's Bank of China (PBOC) sought to provide stimulus to its stalling economy, amid fears of a more deflationary backdrop, which is at odds with developed markets.
- The Japanese yen and US dollar broadly weakened as future interest rate tightening expectations softened meaningfully and yields fell across the curve.

GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- Bonds rallied through November owing to declining yields and falling inflation figures for most major economies, which benefited fixed income securities in general.
- Longer-dated bonds, alongside High Yield and Investment Grade Corporates, tended to outperform short-dated issues and global government instruments in aggregate terms.
- Within sovereigns, the biggest moves seen within 10-year yields was in the US, which fell 60 basis points to 4.33%, followed by Italy, where yields declined 50 basis points to 4.23%.
- Emerging market bonds performed well owing to inflation broadly moderating, yields receding, and the US dollar softening through the month.

GLOSSARY

MACRO – short for macroeconomics, a branch of economics that studies the performance and behaviour of the economy as a whole rather than individual markets. Focuses on the analysis of large scale economic phenomena such as inflation, unemployment, international trade and economic growth. Used by policymakers and businesses to make decisions about economic policy, investment strategies and financial planning.

CPI stands for Consumer Price Index. It is a measure of the average change in prices of goods and services consumed by households over time. The CPI is calculated by comparing the prices of a basket of goods and services in a given period to the prices of the same basket of goods and services in a base period. The CPI is used as an indicator of inflation and is often used by governments and central banks to make monetary policy decisions.

HEADLINE INFLATION – overall increase in the prices of goods and services calculated by a % change in CPI. Includes food and energy and other consumer goods which are excluded in “core inflation”.

CORE INFLATION – a measure of inflation that excludes the more volatile components such as food and energy and lets economists and policymakers better assess long term inflationary pressures.

HAWKISH – monetary policy stance that prioritises controlling inflation over stimulating economic growth.

GDP – a measure of the total value of all goods and services produced within a country’s borders during a specific period. Used to compare the economic performance of different countries.

PMI stands for Purchasing Managers' Index. It is an economic indicator that measures the activity level of purchasing managers in the manufacturing and services sectors. The PMI is calculated based on a survey of purchasing managers who report on various aspects of their business, such as new orders, production levels, employment, and supplier deliveries. The PMI is a leading indicator of economic activity and is closely watched by investors, policymakers, and analysts. A PMI reading above 50 indicates expansion in the sector, while a reading below 50 indicates contraction.

A tenor bond is a type of bond that has a longer maturity period, typically between 10 and 30 years. The term "tenor" refers to the length of time until the bond reaches maturity and the principal amount is repaid to the bondholder.

DISCLAIMER

Sources: Collidr, Bloomberg. Indices: Barclays, FTSE, Bloomberg, STOXX, Japan Exchange Group, MSCI, S&P, New York Mercantile Exchange, Chicago Mercantile Exchange, Bureau of Labour Statistics, US and Office for National Statistics, UK