October 2023

NUGENIS NEWS

Investment Webinars

Following the success of our previous events, and with the continued uncertainty in financial markets, we are running a special webinar in conjunction with our investment partners, Bordier.

We will be running four events on the dates shown below, with each lasting 45 minutes.

Tuesday 7th November 2023

Session 1 - 12:00 - 12:45 (very limited spaces remaining)

Session 2 - 17:00 - 17:45

Wednesday 8th November 2023

Session 3 - 12:00 - 12:45

Session 4 - 17:00 - 17:45

The agenda for the event will include:

- A brief introduction to Bordier & CIE (UK)
- An investment update from Bordier on current market condition, their views on the next 12 months, and how our portfolios are being managed to take advantage of this
- A question and answer (Q&A) session with Bordier Investment Managers

If you would like to attend one of the sessions, please email **JustAsk@nugenisfp.co.uk** with your preferred slot. Confirmation of your attendance and a link for the event will be sent to you at least 3 days before.

So we can manage the time available for the Q&A if you have a question you would like to ask, please include that in your email.

We look forward to welcoming you, but if you have any questions, please speak to your Financial Planner or call the office on 029 2050 8000.

Investment Commentary

October 2023

Market overview

September proved to be a weak month for equities with the MSCI World Index falling over 4% in local currency terms. Government bond yields also rose substantially (meaning values fell) pushing the Global Aggregate Index down nearly 3% in US dollar terms.

The key influence on markets remains expectations around central bank rate policy, which shifted over the month towards a ‘higher-for-longer’ stance. This was despite the fact that both the US Federal Open Market Committee and the Bank of England left rates unchanged at their latest policy meetings, and the European Central Bank, while increasing rates by 25 basis points, intimated that this may be the last hike. Rather than focusing on where rates will peak markets are now looking more to when policy might start loosening, and expectations for this were pushed forward by cautionary comments from both US Federal Reserve chair Jerome Powell and Monetary Policy Committee chair Andrew Bailey. Data pointing to unexpected resilience in the US economy, and to an extent developed economies generally, and also to a resilient consumer contributed to this view. Labour markets have weakened slightly in the US but still remain firm globally, with unemployment rates remaining low by historical standards.

Concern over a government shutdown in the US also added to the ‘risk-off’ sentiment until a last-minute deal between Republicans and Democrats was made on the final day of the month to provide funding until mid-November.

Output cuts from Russia and Saudi Arabia pushed the oil price up above $90/barrel, potentially putting some pressure on the consumer and also complicating the inflation story to a degree. The strength in the oil price did benefit the UK market, however, with its heavy underlying exposure to energy stocks, while the stronger US dollar also boosted stocks with substantial dollar-denominated earning streams. The UK continues to narrowly escape recession, and the International Monetary Fund’s latest growth forecast for 2023 has been revised up from -0.3% to +0.4%, however the outlook still looks lacklustre versus the rest of the G20. Sterling weakened substantially against the US dollar over the month (from 1.26 to 1.22) and the consequent currency gains on our dollar-denominated assets did substantially mitigate some of the weakness in market returns.

The 10-year gilt yield briefly nudged above 4.5% over the month, a level not seen since 2008, while German 10-year government bond yields came close to 3%. Investment grade and high yield bonds, which on average are less sensitive to rate expectations, held up rather better as spreads were largely unmoved.

Strategy positioning

Volatility in markets is currently high as rate expectations fluctuate, however our positive thesis for equities remains. Our expectation of a recovery in global corporate earnings, and of modest but positive economic growth looking ahead, provides a supportive environment for risk assets given current valuations.

Inflationary pressures are receding steadily, and the possibility of looser fiscal policy from next year also offers the prospect of a recovery in bond markets, with particularly attractive opportunities currently presenting themselves in investment grade credit.

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