Client Portfolio Monthly Update – September 2021

The US stock market was down over 4.7% in September and, not surprisingly, as we saw over the summer months, other developed markets in the UK and Europe followed suit as the factors affecting investor confidence have been global in nature. Firstly, the prospect of rising inflation has been bugging stock and bond markets since the beginning of the year. The September headline inflation rate rose again to an annualised 4.3% - the highest in 30 years. This was broadly in line with market expectations but the big question remains as to whether the rise in inflation is transient, as the Federal Reserve appears to believe, or here to stay long enough to force a hike in interest rates. Right at the end of August, The Federal Reserve reiterated their intention to start reducing their quantitative easing in the fourth quarter, or possibly early 2022, and also indicated that rates could rise to 1.75% in 2024. The immediate reaction of stock and bond markets was quite muted but sentiment worsened throughout the month as both the stock and bond market voted with their feet. The 10-year Treasury yield, the main benchmark for future interest rate expectations, rose from 1.25% to 1.53% by month end – indicating that markets are concerned that inflation may be with us longer than the US central bank believes. Similar concerns were evident in the UK as the 10-year Gilt yield rose from 0.62% to 0.93%. Owing partly to the difference in the relative moves of both, the US dollar strengthened against Sterling by a few cents to end the month at $1.34. This had the commonly seen effect of supporting the UK stock market, where 60% of companies have US dollar earnings, and the monthly fall was limited to 0.89%; significantly outperforming US and European peers. However, other factors weighing on Sterling was the deteriorating view, in the eyes of foreign investors, on some of the supply chain problems, as well as political friction with the EU, which persist despite the UK Governments insistence that they are temporary and fixable. There is a growing expectation that the second quarter GDP print of +5.5% may prove to be a high-water mark for quarters three and four. In Europe, the German elections were an interesting distraction, marking as it did the end of Angela Merkel's 16 years as Chancellor. However, the result, planted firmly in the political centre, means that the appointment of a replacement could take some time, and markets quickly dismissed the result as having any major impact for the foreseeable future. Looking forward into October, all eyes will be focused on the US third quarter earnings season – by far the most important of the year - when investors will see how the world's leading economy has fared over the summer and what companies expect for the fourth quarter, Christmas and beyond.

		1m	Sector 1m	Relative to Sector
0-35% Shares	Risk 2	-1.31%	-1.32%	0.01%
	Risk 3	-1.63%	-1.32%	-0.31%
20-60% Shares	Risk 4	-1.85%	-1.41%	-0.44%
	Risk 5	-1.66%	-1.41%	-0.25%
	Risk 6	-1.28%	-1.41%	0.13%
40-85% Shares	Risk 7	-0.98%	-1.65%	0.67%
	Risk 8	-0.68%	-1.65%	0.97%
Global	Risk 9	-0.48%	-2.08%	1.60%

It has been a difficult month in the market seeing large pull backs in most equity markets, all though disappointing with all portfolio's showing a lose for the month most had beaten their respective sectors with a smaller falls. The lower risks ones where slightly higher than the sector due to the exposure to the Baillie Gifford American fund which has provided some of the over performance in previous month, at present this fund is on our watchlist, it is still first quartile over the longer periods but is experiencing some short-term volatility.

Information in this report is at the last valuation point on 30th September 2021 (except where indicated).
*source: FE Analytics