Client Portfolio Monthly Update – November 2021

November started well, underpinned by better than expected economic data for US jobs and unemployment. The non-farm payroll data rose 531,000, well ahead of the 450,00 forecast. Combined with rising wages and the lowest filings for unemployment support since 1969, there was plenty to be positive about. However, the prospect of all this positive economic activity stoking even more inflation, gave investors cause for concern since this has been bugging stock and bond markets all year even as it climbed a wall of worry. The re-appointment of Jay Powell as Federal Reserve Chairman gave the bond market some assurance of business as usual although his first act was to announce a more hawkish stance towards tapering the amount of economic stimulus and lifting the expectation that interest rates will be raised sooner rather than later. In the UK, Bank of England governor, Andrew Bailly, appeared to align himself with the more hawkish Federal Reserve, insisting that inflation remained the greatest danger to the UK economy. Noting the step up in language, the UK bond market took the remarks at face value but were wrong footed when the interest rate hike failed to materialise at the Bank of England's policy meeting on the 4th November. Speculation over whether the Banks's caution was merited was overtaken by the emergence of the new omicron variant of Covid which knocked the wind out of stock markets globally. The US stock market went from positive to negative territory, falling 0.7% for the month. The UK stock market fell further, down 2.4%, owing to the index having a proportionately higher weighting in oils and banks. The differing approaches of the Fed and Bank of England led to the US dollar strengthening against Sterling and, indeed, all major currencies. The US dollar gained 3.5% over Sterling in November. Inflation was also central to investors concerns in the EU. The 4.1% inflation figure for October gave markets cause for concern and stocks fell pretty much in line with the UK, falling 2.5%. However, there was a growing sense that, compared to the Federal Reserve and the Bank of England, the European Central Bank is the least likely to follow the determination to raise interest rates until they see real recovery across the eurozone. While the direction of travel of the central banks has undoubtedly changed in the face of stubbornly high inflation, we expect actual rises to be minimal as central banks tread a very cautions path, particularly while they assess the impact of policy responses to the omicron variant. November was an important inflection point for stocks and bonds which have enjoyed good positive returns year-to-date. Central banks will need to be mindful of how they communicate their future intentions to markets.

		1m	Sector 1m	Relative to Sector
0-35% Shares	Risk 2	0.75%	-0.56%	1.31%
	Risk 3	0.70%	-0.56%	1.26%
20-60% Shares	Risk 4	-0.07%	-1.17%	1.10%
	Risk 5	-0.96%	-1.17%	0.21%
	Risk 6	-1.47%	-1.17%	-0.30%
40-85% Shares	Risk 7	-1.63%	-1.73%	0.10%
	Risk 8	-1.26%	-1.73%	0.47%
Global	Risk 9	-1.14%	-3.11%	1.97%

November has been an improvement over October with many of the funds outperforming their relative Sectors. At present the Baillie Gifford American and CFP SDL UK Buffetology funds remain on our watchlist, they are still first quartile over the longer periods but are experiencing some short-term volatility.
Whereas this is disappointing performance recently, we have outperformed the sector in most categories this month. Current volatility is high however over the longer term our performance still provides a strong positive return and we therefore maintain that our asset allocation model is sound.

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