Client Portfolio Monthly Update – July 2022

In anticipation of a further rise in inflation over the coming months, markets priced in the increased likelihood of a subsequent recession. Bond yields, which indicate future moves in interest rates, turned lower and prices of bonds, which fell last month, rose as a result. The prospect of lower rates also gave some support to stocks, particularly those growth stocks which were victims of last month's indiscriminate sell off. The US stock market, heavily weighted by large growth stocks like Amazon and Tesla, rose over 9% while the UK index also bounced back from the June losses, rising 4.5%, and back to where it started the year. The upward march of the US dollar against all other major currencies also reversed course and Sterling strengthened a couple of percentage points to $1.215. Commodities also reversed course and Brent crude ended the month at $102 per barrel, well down from the peak of $119 in early June. US GDP data confirmed what many predicted that the US economy had entered a technical recession. Looking through the details, it was evident that businesses cautiously held back on investment and the retail and motor vehicle dealerships let their inventories run down, putting a dampener on production. However, Federal Reserve Governor, Jerome Powell, expressed a positive view on the figures and, whilst acknowledging the technical downturn of two consecutive quarters of negative growth, cited continued strength in the labour markets which continues to prop up demand. This is an important factor as the all-important third quarter earnings season looms into view in early October. As a barometer of economic health of the US economy over the summer months, it is by far the most important earnings season in any year, but especially this year. Company CEOs and their boards of directors have been very cautious in their profit forecasts over the last few years, and with good reason. Whilst financial analysts have tried to look through this caution to gauge a true picture of profitability, better than expected sales and profits have repeatedly caught investors out. This may be understandable against a backdrop of persistently gloomy headlines but, whilst volatile, the bounce in global markets gives an indication that investors see the real risk as being out of markets altogether.

		1m	Sector 1m	Relative to Sector
0-35% Shares	Risk 2	1.46%	2.03%	-0.57%
	Risk 3	2.76%	2.03%	0.73%
20-60% Shares	Risk 4	3.04%	1.97%	1.07%
	Risk 5	2.88%	1.97%	0.91%
	Risk 6	2.34%	1.97%	0.37%
40-85% Shares	Risk 7	1.89%	2.56%	-0.67%
	Risk 8	0.71%	2.56%	-1.85%
Global	Risk 9	-0.04%	5.70%	-5.74%
	Risk 10	-1.48%	5.70%	-7.18%

During July, Portfolios 3, 4, 5 and 6 outperformed their respective sectors with the other 5 Portfolios underperforming. FACET believes taking a recovery approach is correct and with the increased performance in July, we believe the markets become more favourable. We believe our asset allocation will continue to provide a strong performance over the medium to longer term.

Information in this report is at the last valuation point on 31st July 2022 (except where indicated).
*source: Trustnet

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