Client Portfolio Monthly Update – November 2022

The stock market rally, which began its recovery in mid-October, continued through November with US stocks up 5.6%. An easing of future inflation expectations was also good for US government bonds which rose 2.7%. Stocks and bonds in the UK and Europe followed suit; UK stocks rose 7.1%. The strong rebound in UK stocks was particularly surprising given the strength of Sterling which rose 5.4% against the US dollar. As we have seen throughout the year, a weaker Sterling has tended to support UK stocks relative to their US peers. However, the move was actually reflective of the fact that the US dollar weakened 5% against the basket of major currencies. The turn in the inexorable rise of the US dollar was a welcome relief for Asian stocks, and emerging market stocks in particular, which gained 15%. As we have seen almost every month this year, the strength of the US dollar has been attributable to the hawkish determination of the Federal Reserve to raise interest rates aggressively from 0.25% throughout the year. Trying to stem inflation, they raised rates another 0.75% in early November, taking the base rate up to 4%. However, the minutes of the meeting, released later in the month, contained what appeared to be an easing of the hawkish stance. It appeared that "a substantial majority" of the Federal Reserve's committee agreed that it would "likely soon be appropriate" to slow the pace of interest rate rises. This set up the prospect of a hike of only 0.5% at the December meeting. The softening in language was immediately supportive of the November rally in both stocks and bonds. The Bank of England may have felt compelled to match the November hike with their own 0.75% raise the day after the Federal Reserve, it is also likely to ease that pace in December. However, UK households are clearly more vulnerable to the rising cost of food, energy and mortgage costs than in the USA. The UK's Office for Budget Responsibility expects real household incomes to fall 7% over the next 30 months to April 2024. On this forecast, it seems likely the UK will fall back into a technical recession in 2023. However, UK retail sales recovered a little in October, rising 0.6% compared to the 1.5% monthly fall. Consumer confidence also appeared to stabilise, albeit weaker than a year ago. Nevertheless, given the softer stance that the main central banks now appear to be taking, stock and bond markets are prepared to look through the backward facing economic data, and sentiment improved markedly in November.

		1m	Sector 1m	Relative to Sector
0-35% Shares	Risk 2	1.40%	2.47%	-1.07%
	Risk 3	2.38%	2.47%	-0.09%
20-60% Shares	Risk 4	3.32%	2.87%	0.45%
	Risk 5	3.81%	2.87%	0.94%
	Risk 6	4.92%	2.87%	2.05%
40-85% Shares	Risk 7	5.72%	3.00%	2.72%
	Risk 8	7.86%	3.00%	4.86%
Global	Risk 9	9.20%	2.10%	7.10%
	Risk 10	10.07%	2.10%	7.97%

During November, only Portfolios 2 and 3 underperformed their respective sectors with the other Portfolios outperforming, this performance has been a continued improvement on recent months. FACET believes their current strategy is correct and with the continued positive growth in November, we believe the markets may provide further growth into December. We still 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 October 2022 (except where indicated).
*source: Trustnet

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