Client Portfolio Monthly Update – January 2023

Stock and bond markets enjoyed a good start to the year as the outlook for inflation continued to fall. December US headline inflation fell to 6.5% year-on-year, down from 7.1% in November. Average hourly earnings also fell to 4.6% year-on-year, further easing pressure on the Federal Reserve to hike rates aggressively in their fight against inflation. Expectations for a February hike fell from 0.5% to 0.25%. US stocks responded strongly, rising over 6%, more than recovering from the falls seen in December. Notable performers were some of the biggest fallers from last year. Shares in Amazon and Tesla rose 23% and 41% respectively. The UK stock market followed suit with banks and financial stocks among the best performers. Mining stocks and consumer staples, which held up well in December, gave up some of their gains but it didn't stop the main index rising over 4%. The US dollar continued to weaken against all the major currencies and Sterling gained a couple of percentage points to finish the month at £1.23 to the dollar. Oil and gas prices added to the anti-inflationary picture with the benchmark barrel of Brent crude oil lingering at $80 and below throughout January. Natural gas continued to fall sharply, by over a third in one month, as inventories in Europe and the USA rose to higher levels than expected; helped by what has mostly been a mild winter. Further economic data showed consumer confidence in the US and Europe holding up well and added to the positive sentiment. Forecasts for a sharp and deep recession clearly eased somewhat in January and investors will be keen to see whether this is reflected in the actions of the Federal Reserve in early February. While a 0.25% hike now looks more likely that a half-point, the scrutiny will be on the language used by Fed Chairman, Jerome Powell, in his accompanying statement for clues as to when the monetary tightening cycle will come to an end. If, as seems possible, economic data continues to hold up despite the highest interest rates seen for many years, then we can expect both stocks and bonds to extend their gains in February.

		1m	Sector 1m	Relative to Sector
0-35% Shares	Risk 2	1.52%	2.59%	-1.07%
	Risk 3	2.54%	2.59%	-0.05%
20-60% Shares	Risk 4	3.08%	3.04%	0.04%
	Risk 5	3.46%	3.04%	0.42%
	Risk 6	3.96%	3.04%	0.92%
40-85% Shares	Risk 7	4.30%	3.41%	0.89%
	Risk 8	5.34%	3.41%	1.93%
Global	Risk 9	6.00%	4.24%	1.76%
	Risk 10	6.77%	4.24%	2.53%

During January, Portfolios 2 and 3 underperformed their respective sectors with the other seven Portfolios outperforming, this performance has been a little more encouraging as it would appear the global markets have now turned a corner. FACET believes their current strategy is correct and with the anticipated positive growth in February, we believe the markets may provide further growth into February. We continue to believe our asset allocation will provide a strong performance over the medium to longer term.

Information in this report is at the last valuation point on 31st January 2023 (except where indicated).
*source: Trustnet