Client Passive Portfolio Monthly Update – April 2023

Stock markets continued to recover from the shock failure of Credit Suisse and Silicon Valley Bank in March. The UK stock index in particular, heavily weighted as it is to the financial sector, rose by 3.1% in April. A recovery in technology stocks helped the US index record a gain of 1.46% overall. These gains occurred despite three of the major central banks (US Federal Reserve, Bank of England and European Central Bank) all raising interest rates in March. However, stocks were more inclined to follow the US 10-year bond yield, the main benchmark forecasting the interest rate 10 years out, which fell as low as 3.21%, well off the 4.07% last month. The fall reflected yet another fall in US inflation, the ninth straight monthly decline, down from 6% in February to 5% in March. This is nearly half the peak of 9.1% recorded last June and, combined with the yearly base effect in the year-on-year comparisons gave bond markets some assurance that inflation is likely to fall further heading into the summer. However, UK inflation recorded only a small 0.3% drop to 10.1% and no drop at all compared to the January figure. This stubbornly high inflation rate indicates that the Bank of England still has much to do and, therefore, may be unable to follow the Federal Reserve's moves if they turn more dovish in the months ahead. The higher differential in 10-year rates helped Sterling record a 1.9% gain against the US dollar which ended the month at $1.25. This is a significant recovery from the low of $1.07 in September last year when the Federal Reserve was in full hiking mode, and which the Bank of England at that time was unable or unwilling to follow. Other markets indicate that the upward pressure on global inflation may ease further in the months ahead. Brent crude oil only fell a modest 1% but continued the trend which has been falling for 12 months. A similar trend has been seen in the price of natural gas and wheat. Stock, bond and commodity markets have stabilised from the extremes seen in 2022 and, whilst we must remain vigilant to new threats, we must recognise that the robustness of the main indexes owes much to the improvement in the fundamentals.

		1m	Sector 1m	Relative to Sector
0-35% Shares	Risk 2	-0.11%	0.33%	-0.44%
	Risk 3	-0.19%	0.33%	-0.52%
20-60% Shares	Risk 4	0.20%	0.67%	-0.47%
	Risk 5	0.73%	0.67%	0.06%
	Risk 6	0.79%	0.67%	0.12%
40-85% Shares	Risk 7	0.98%	0.80%	0.18%
	Risk 8	0.10%	0.80%	-0.70%
Global	Risk 9	0.02%	0.15%	-0.13%
	Risk 10	-0.64%	0.15%	-0.79%

During April, only Portfolios 5, 6 and 7 outperformed their respective sectors with all other portfolios underperforming, this performance has been disappointing. We still believe the anticipated growth will continue to enter the global markets. FACET continues to believe their current strategy is well placed to provide continuing growth in May. 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 30th April 2023 (except where indicated).
*source: Trustnet