# Client Passive Portfolio Monthly Update – July 2023

The US stock market led UK and European stocks higher, thanks in most part to continued enthusiasm for stocks connected with AI technology. Shares in Invidia, the semiconductor manufacturer, whose chips are the main supplier for the new generation of super computers, rose 10% in July – a more than three-fold increase year-to-date. The overall index rose 3.1% compared to the UK index up 2.2% but the difference was down to a handful of in-vogue technology stocks. However, the positive mood on both sides of the Atlantic was supported by better than expected macro-economic news. US inflation fell from 4% to just 3% year-on-year and will have given the US Federal Reserve some confidence that they are winning their battle against inflation. Despite raising interest rates by a quarter point to 5.5%, the statement accompanying the hike indicated that, whilst they remain data-dependent, the data could well justify keeping rates on hold at the next meeting in September. Together with a solid 2.4% year-on-year rise in GDP and a fall in unemployment to just 3.5%, markets took a much more positive view which supported developed stock markets and was even supportive of bonds which have been falling since the second quarter. The prospect of an end to US interest rate hikes was particularly beneficial for emerging market stocks which rose 6.3%, more than double their US peers. However, the emergence of a soft-landing scenario for the US economy is in stark contrast to the UK where the Bank of England is still battling significantly higher inflation and a 0.25% hike in their August meeting is virtually assured. Even if UK inflation data falls in line with expectations to 7.4% when the data is released in mid-August, it would be hard for the bank to justify keeping rates on hold at the September meeting just to see if base rates of 5.25% are working. As the gap between US and UK central bank policy widens, Sterling has continued to strengthen against the US dollar, reaching $1.31 in July. However, it would be wrong to see this as a vote of confidence in the UK economy which faces significant headwinds, both political and economic, and it is a very good thing indeed that the UK stock market index is dominated by companies with international exposure.

| | | 1m | Sector 1m | Relative to Sector |
|---|---|---|---|---|
| 0-35% Shares | Risk 2 | 0.68% | 0.99% | -0.31% |
| | Risk 3 | 0.99% | 0.99% | 0.00% |
| 20-60% Shares | Risk 4 | 1.39% | 1.41% | -0.02% |
| | Risk 5 | 1.82% | 1.41% | 0.41% |
| | Risk 6 | 2.09% | 1.41% | 0.68% |
| 40-85% Shares | Risk 7 | 2.28% | 1.73% | 0.55% |
| | Risk 8 | 2.56% | 1.73% | 0.83% |
| Global | Risk 9 | 2.97% | 1.85% | 1.12% |
| | Risk 10 | 3.40% | 1.85% | 1.55% |

Throughout July, all portfolios except Risks 2 and 4 outperformed their respective sectors, this continued performance has perceived as encouraging. We continue to believe the anticipated growth will continue to enter the global markets. FACET continues to believe their current strategy is well placed to provide further continuing growth throughout July. 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 July 2023 (except where indicated).
*source: Trustnet