FACET

Client Passive Portfolio Monthly Update – September 2023

The dawning reality that inflation is not dead gave investors every reason to take profits in September from both stocks and bonds and seek relative safety in the US dollar which strengthened 4% against Sterling to end the month at $1.22. Despite the US Federal Reserve keeping interest rates on hold at 5.5% at their September meeting, market commentators repeatedly used the phrase "higher for longer" to describe the new outlook for interest rates. The US 10-year yield rose nearly half a percentage point to 4.57% and the UK 10-year Gilt yield rose to 4.44%. Both moves negatively impacted their respective property markets, both commercial and residential. The rise in the price of oil exacerbated matters. Brent crude rose 7% to $92.20 per barrel, driving up inflationary pressures in the months ahead. The cuts in production announced by OPEC in June and July are expected to be in place until the end of 2024. To counter this, the US implemented a large drawdown on their Strategic Petroleum Reserve. Mid-September data showed inventories fell by 5.25 million barrels, double what market analysts had forecast. The draw reduced the reserve to less than half its total capacity and, with US refineries running at near-full capacity, the prospect of this being restored going into the winter months is unlikely. However, UK stock market index was a notable beneficiary of the rise in the price of oil owing to its heavy weighting in oil and gas companies. The index rose 2.27% in September which compared favourably with the US index which, as well as having very little weighting in oil and gas sectors, has nearly a third of its total value in 8 stocks which bore the brunt of the selling in risk assets and growth stocks in particular. Apple -9%, Amazon -8% and Nvidia -12% were notable fallers and were the main contributors to a fall in the US index of 4.9% in September. However, it should be remembered that western stock markets have been remarkably resilient for the best part of a year and some profit-taking was always possible in the face of a lowering of economic growth forecasts for 2023. Of greater concern is the bounce back in bond yields in the US, UK and Europe despite central bank holding interest rates. The acceleration in US 10-year bond yields from the end of summer, from 3.7% to 4.7% could be a serious headwind in the fourth quarter while markets reassess the outlook to year-end and beyond.

		1m	Sector 1m	Relative to Sector
0-35% Shares	Risk 2	0.19%	-0.81%	1.00%
	Risk 3	0.29%	-0.81%	1.10%
20-60% Shares	Risk 4	0.35%	-0.71%	1.06%
	Risk 5	0.60%	-0.71%	1.31%
	Risk 6	0.70%	-0.71%	1.41%
40-85% Shares	Risk 7	0.90%	-0.76%	1.66%
	Risk 8	0.58%	-0.76%	1.34%
Global	Risk 9	0.46%	-1.60%	2.06%
	Risk 10	0.07%	-1.60%	1.67%

Throughout September, all portfolios outperformed their respective sectors, the allocation have been amended to give a more cautious approach as it is believed there is uncertainty in the markets currently. FACET continues to believe their current strategy is well placed to provide further continuing growth throughout September. 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 September 2023 (except where indicated).
*source: Trustnet

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