Client Passive Portfolio Monthly Update – January 2024

January was another positive month for US stocks as the Federal Reserve opted to keep interest rates on hold, for the fourth consecutive meeting, at 5.5%. The US stock market index rose 1.5% with technology stocks leading the way. However, the central bank cautioned that rate cuts may not be coming in March owing to a rise in the December inflation data which showed that energy prices contributed to a rise from 3.1% in November to 3.4%. The price of a barrel of crude oil rose from $77 to over $80, a move attributed mostly to attacks on shipping in the Red Sea. The gain would've been higher if it hadn't been for a stronger US dollar which, unsurprisingly, attracted buyers to its reputation as a safe-haven currency during periods of geopolitical uncertainty. The US bond market reacted to the Federal Reserve outlook accordingly and the US 10-year Treasury yield rose from 3.86% to 3.96%. The UK markets broadly followed suit although the tech-light London stock market fell 1.3%. Sterling remained unchanged but stable at $1.27. UK inflation also rose unexpectedly to 4% in December with the biggest contribution coming from tobacco and alcohol. Recreation and retail clearly enjoyed high demand over the Christmas period with commensurately less discounting. The positive start to the year reflects growing confidence that the USA will achieve an economic soft-landing supported by a central bank ready, willing and able to cut interest rates at the first sign of trouble. In that regard, the muted market reaction to the unexpected rise in December inflation indicates this was caused by temporary factors, or simply year-on-year base effects from December 2022. Investors are well aware that underlying economic data for the consumer is actually remarkably robust with unemployment falling and wages on the up. This is something that the Bank of England has cautioned will be watched closely in the months ahead and may have more influence on their rate decisions than the timing of the next cut by the Federal Reserve.

		1m	Sector 1m	Relative to Sector
0-35% Shares	Risk 2	-0.57%	-0.56%	-0.01%
	Risk 3	-0.58%	-0.56%	-0.02%
20-60% Shares	Risk 4	-0.43%	-0.39%	-0.04%
	Risk 5	-0.13%	-0.39%	0.26%
	Risk 6	-0.27%	-0.39%	0.12%
40-85% Shares	Risk 7	-0.30%	-0.05%	-0.25%
	Risk 8	-1.59%	-0.05%	-1.54%
Global	Risk 9	-2.03%	0.64%	-2.67%
	Risk 10	-2.96%	0.64%	-3.60%

Throughout January, only Portfolios 5 and 6 outperformed their respective Sectors. With Portfolios 2, 3, and 4 only narrowly underperforming. We believe this is due to the New Year with new challenges being identified in the Global Markets. We continue to believe our current strategy is well placed to provide further continuing growth throughout 2024. 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 2024 (except where indicated).
*source: Trustnet