FACET

Client Managed Portfolio Monthly Update – November 2023

November was the month where markets appeared to recognise that the interest rate hiking cycle has finally run its course. The three major central banks in US, UK and Europe, have not exactly been acting in unison, each confronted with their own regional challenges, but bond markets in November signalled that enough it enough. All three kept their base interest rates on hold but forward-looking 10-year bond yields all fell, sparking a recovery in bonds and stocks alike. In the US, the main index rose an impressive 8.9%, driven by the big tech stocks. The UK index, which is more heavily weighted to banking, mining and energy still managed a healthy 1.8% gain. The fall in bond yields was particularly welcome in Europe where a growing sense of crisis had begun to creep into the bond market in October. The European Central Bank cut it pretty fine but avoided the major policy error of implementing more aggressive quantitative tightening when both the economy and the bond market were looking for some relief. Pressure was also taken off the Bank of England as inflation fell from 6.7% to 4.6%. This is still much higher than 3.1% rate in the USA but will give the Bank of England monetary policy good cause to keep rates on hold at their next meetings and we can expect their forward guidance to remain cautious and vigilant. Meanwhile, at the US Federal Reserve, their forward guidance has become far less hawkish and market will be looking for rate cuts next year. As a result, the US dollar has weakened against the basket of major currencies and Sterling enjoyed a 5 cent rise to $1.26 – a move which held back some of the large cap exporter stocks in the main index. The weaker US dollar was also generally good for emerging market stocks. A modest 2% rise in Chinese stocks aided a wider 8% gain for the EM index overall. Economic data in the US, UK and Europe all point to a more stable outlook for next year, supported by lower inflation and an improvement in employment. Against this more optimistic backdrop, the chances of a rally in both stocks and bonds into year-end have significantly improved.

		1m	Sector 1m	Relative to Sector
0-35% Shares	Risk 2	2.07%	2.68%	-0.61%
	Risk 3	3.12%	2.68%	0.44%
20-60% Shares	Risk 4	3.48%	2.70%	0.78%
	Risk 5	3.87%	2.70%	1.17%
	Risk 6	3.54%	2.70%	0.84%
40-85% Shares	Risk 7	4.15%	2.81%	1.34%
	Risk 8	2.55%	2.81%	-0.26%
Global	Risk 9	1.66%	3.37%	-1.71%
	Risk 10	0.73%	3.37%	-2.64%

Throughout November, Risks 2, 8, 9, and 10 underperformed their respective sectors while Risks 3 to 7 outperformed. We believe the high alpha structure this these portfolios did not act in our favour over the short term but continue to believe our current strategy is well placed to take advantage of anticipated growth into 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 30th November 2023 (except where indicated).
*source: Trustnet

Disclaimer
E&OE
The views, opinions and expectations in this article are those of members of FACET Investment Management Ltd and do not constitute advice. They should not be taken as an offer or a recommendation to invest in any of the products referred to. All investments of this type can put your money at risk, and you may not get back your full investment. The value of the investment and the income derived from it can go down as well as up. You should consult with your financial advisor before making any investments.