Client Managed Portfolio Monthly Update – October 2023

Bond yields continued to rise in the US and the UK as inflation remained stubbornly high, putting pressure on central banks to keep interest rates higher for longer. The Federal Reserve chairman, Jerome Powell, warned that another interest rate hike could not be ruled out by year end. As we have often seen during the rate hiking cycle, good news on the economy can be bad for bonds and stocks alike. The US economy grew 4.9% year-on-year in the third quarter. This was stronger than expected and a big improvement on the 2.1% growth in the second quarter. It was a challenging backdrop for stocks. The US index fell 2.2%, led by technology stocks like Apple, Tesla and Amazon. In the UK, the main index fell 3.76%, dragged lower by shares in energy and the banking sector, where high interest rates are starting to harm their mortgage books and consumers generally. Retail stocks also fell ahead of what could be a difficult Christmas period for households. The UK 10-year Gilt yield rose to 4.51% and it was not surprising to see a deterioration in the UK economic outlook and falling consumer confidence showing up in economic data releases. However, with UK inflation running at 6.7%, significantly higher than the US at 3.7%, Bank of England Governor Andrew Bailey said that some members of the monetary policy committee are determined to keep high interest rates unchanged. The European Central Bank (ECB) also kept their interest rates on hold, but in response to a growing sense of crisis in the European bond markets. Italy, one of the weakest links in the EU economic chain, saw their yields rise to 5%; raising the country's annual debt servicing costs by EUR 10 billion. The ECB also stepped back from their quantitative tightening plans which the market feared represented a very real risk of policy error. October was a difficult month for both stocks and bonds, but a combination of factors appears to have had a moderating effect on the three major central banks. If markets start to believe that the interest rate hiking cycle is finally over, it could be the catalyst for a swift recovery which could catch out the overly cautious.

		1m	Sector 1m	Relative to Sector
0-35% Shares	Risk 2	-0.27%	-1.13%	0.86%
	Risk 3	-1.08%	-1.13%	0.05%
20-60% Shares	Risk 4	-1.92%	-1.80%	-0.12%
	Risk 5	-2.94%	-1.80%	-1.14%
	Risk 6	-3.42%	-1.80%	-1.62%
40-85% Shares	Risk 7	-4.36%	-2.55%	-1.81%
	Risk 8	-3.79%	-2.55%	-1.24%
Global	Risk 9	-3.76%	-3.54%	-0.22%
	Risk 10	-3.38%	-3.54%	0.16%

Throughout October, only portfolios 2, 3, and 10 outperformed their respective sectors, portfolios 4 to 9 underperformed. No amendments were made to either the funds or allocation rates. FACET continues to believe their current strategy is well placed to take further advantage of anticipated growth throughout October. 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 Ovctober 2023 (except where indicated).
*source: Trustnet

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