

Current Update

December 2021



Market Talking Points

- The Omicron variant of Covid-19 spreading quickly but is proving to be less deadly than previous variants.
- The Bank of England was first major Central Bank to raise rates in December with the Federal Reserve reducing its asset purchases and expecting to raise in Q2 2022
- The Russian threat of invasion to Ukraine increased tension with NATO and the EU. This has applied further pressure on already high natural gas prices.
- In December the inflation rate jumped up to 6.8% in the US (from 6.2%) and 5.1% (from 4.2%) in the UK both Central banks accepted this rate is more than transitional
- Pressure on wages continued to increase as productivity was challenged by rising Omicron absences.
- A late December rally pushed equity valuations to ever higher levels as, despite some interest rates increasing, the return on equity investment remained relatively attractive
- The Gold price has rallied marginally but remains down over 12 months despite inflation expectations rising significantly

Rivers Asset Index Data

Anchors	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Cash Plus / Enhanced Cash	0.1%	0.6%	1.1%	1.5%	3.1%	-0.14	0.1%
High Grade Bond and Income	-1.6%	1.5%	-1.1%	2.9%	5.3%	0.15	4.6%
Low Risk Absolute Return	-0.5%	2.8%	4.9%	1.4%	3.0%	0.31	5.4%
Enhancers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Developed Market Equity	2.2%	7.7%	19.4%	9.8%	8.1%	1.00	11.1%
Corporate, High Yield and Credit	1.1%	1.7%	5.1%	5.8%	7.8%	0.80	7.5%
Emerging Market Equity	-0.3%	-4.4%	2.0%	8.1%	10.3%	0.81	12.3%
Diversifiers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Commodity Focused	1.0%	8.3%	21.8%	3.1%	4.0%	0.35	9.6%
Medium Volatility Absolute Return	-0.7%	3.6%	8.5%	2.2%	3.4%	0.40	7.1%
Themes, Macro and Trend	-0.7%	3.5%	11.6%	2.9%	6.0%	0.28	8.4%
Real Estate	3.9%	12.4%	24.7%	6.3%	8.0%	0.70	8.4%

*Annualised returns above 1 year, as of 31/12/2021

Current Portfolio Relative Risk Level

- On November 18th the Risk Committee maintained the Tactical Risk Level at 1 out of 7 but recommended an overall reduction in interest rate risk
- We hoped to add risk during November but are yet to find a suitable opportunity. We decreased interest rate exposure and increased diversification as an alternative.
- The Enhancer asset allocation for each risk rated portfolio remains underweight despite positive seasonality, as speculation and valuation in some sectors are at extremes.
- Enhancer assets are primarily equity assets with a small percentage of credit.
- Risk level 4 is the Neutral or Strategic asset allocation when valuations and risk are considered by the Rivers Risk Committee to be in equilibrium.
- A low risk level (below 4) indicates that the Risk Committee believe Enhancer valuations to be unattractive given to prevailing macro risks. Protecting capital enables the opportunity to buy Enhancer assets at better valuations.

Key Future Announcements

UK		Previous	Forecast
Monday Jan 11 2022	Manufacturing Production (MoM)	0.1%	-
Tuesday Jan 18 2022	Claimant Count (Dec)	-49.8K	-
Tuesday Jan 18 2022	Unemployment Rate (Nov)	4.2%	4.2%
Wednesday Jan 19 2022	CPI (YoY) (Dec)	5.1%	-
Friday Jan 21 2022	Retail Sales (MoM) (Dec)	1.4%	0.8%
GLOBAL			
Monday Jan 01 2022	Euro Zone Unemployment Rate (Nov)	7.3%	7.3%
Wednesday Jan 12 2022	India CPI (YoY) (Dec)	4.91%	5.10%
Monday Jan 17 2022	China GDP (YoY) (Q4)	4.9%	-
Monday Jan 24 2022	German Manufacturing PMI (Jan)	57.4%	56.8%
Wednesday Jan 26 2022	USA Fed Interest Rate	-	-

For further information or enquires, professional advisors please contact the investment team directly on **020 3383 0180** or by emailing **info@riverscm.com**

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UK	31-Dec-21	31-Dec-20
FTSE 100	7,384	6,460
FTSE 100 % YTD	14.30%	
BoE Interest Rate	0.25%	0.10%
CPI	5.1%	0.30%
Govt, 10YR Yield	0.97%	0.20%
FTSE 350	4,228	3,697

Currency	31-Dec-21	31-Dec-20
GBP/USD	1.35	1.37
GBP/EURO	1.19	1.12

Commodity (\$)	31-Dec-21	31-Dec-20
Gold	1,828	1,893
Silver	23.35	26.57
Brent Crude Oil	75.21	51.80

Govt 10YR Bond	31-Dec-21	31-Dec-20
US	1.51	0.92
Japan (JGB)	0.07	0.03
Germany (Bund)	-0.18	-0.57

Global Markets	31-Dec-21	31-Dec-20
Dow Jones	36,338	30,606
Dax	15,884	13,719
CAC	7,153	5,551
Nikkei 225	27,588	27,444
Shanghai	3,639	3,473
Sensex	58,253	47,751
Nifty 50	17,354	13,981

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