

Current Update

December 2022



Market Talking Points

- INFLATION:** Rate fell to 7.1% in the US (from 7.7%), to 10.7% (from 11.1%) in the UK and 10.1% (from 10.6%) in the EU. The primary driver now appears to be food with the base effects of energy falling. Wages remains a key factor in the UK and US
- CENTRAL BANK RATES:** Raised rates in US (4.50%) and EU (2.50%) and the Bank of England (3.5%). The biggest surprise of the month came when the BoJ announced the loosening of their 10Y JGB interest rate target from +/-0.25% to +/- 0.50%
- BENCHMARK RATES:** Outside Japan 10 year interest rates in UK and US increased modestly but remain below the highs in September. Europe saw the biggest increase in rates as inflation fell less than expected, especially in Germany
- ECONOMIC GROWTH:** Growth return to positive in the US in Q3 (1.9%) ending a technical recession although few are predicting the slowdown is over. The UK growth was revised down to (-0.3%) in Q3 but remained better than had been expected (-0.5%)
- POLITICS:** A quiet month for politicians but January started with the US Congress unable to agree a Speaker for the House. This normal rubber stamping event is indicative of how badly split the Republican party remains following the poor Mid-Term results

Rivers Asset Index Data

Anchor	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Cash Plus / Enhanced Cash	0.3%	1.6%	2.3%	1.6%	2.8%	-0.09	0.2%
High Grade Bond and Income	-2.3%	-5.7%	-14.0%	-0.9%	3.9%	0.26	6.0%
Low Risk Absolute Return	-0.2%	2.7%	10.5%	4.0%	3.6%	0.23	6.2%
Enhancers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Developed Market Equity	-2.9%	4.2%	-0.7%	6.9%	9.3%	1.00	12.0%
Corporate, High Yield and Credit	-1.3%	2.3%	-10.0%	1.5%	7.1%	0.80	9.2%
Emerging Market Equity	-2.6%	-0.2%	-6.4%	2.2%	10.7%	0.78	13.1%
Diversifiers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Commodity Focused	-2.1%	-0.5%	18.8%	9.4%	4.6%	0.35	11.6%
Medium Volatility Absolute Return	-0.5%	3.2%	14.6%	5.9%	4.4%	0.32	8.0%
Themes, Macro and Trend	-0.5%	2.2%	24.2%	8.9%	7.2%	0.25	10.0%
Real Estate	-3.4%	-8.9%	-9.8%	3.2%	7.2%	0.73	9.5%

*Annualised returns above 1 year, as of 31/12/2022

Current Portfolio Relative Risk Level

- On October 18th Risk Committee increased the Tactical Risk Level to Neutral Level 4, out of 7, increasing Enhancer asset exposure to all portfolios following an rise in valuations
- The fall in many asset prices since risk was reduced (July 29th) has improved Enhancer valuations in certain sectors. While some areas, especially US large cap, remain expensive this improvement justifies a neutral tactical stance with a bias towards better valued sectors
- While inflation, government and Central Bank policy continues to significantly influence investment markets these risks are reflected in higher interest rates. Within Anchor assets an increase in Gilt exposure takes advantage of more attractive yields
- 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 Risk Committee to be in equilibrium
- Lower risk levels (below 4) indicate that Enhancer valuations are relatively unattractive given to prevailing macro risks. Higher risk levels indicate they are relatively attractive

Key Future Announcements

UK		Previous	Forecast
Tuesday Jan 17 2023	Unemployment Rate (Nov)	3.7%	3.7%
Wednesday Jan 18 2023	CPI (YoY) (Dec)	10.7%	10.9%
Tuesday Jan 17 2023	Claimant Count Change (Dec)	30.5K	-
Friday Jan 20 2023	Retail Sales (YoY) (Dec)	-5.9%	-5.6%
Thursday Feb 2, 2023	BoE Interest Rate Decision	3.5%	4.0%
GLOBAL			
Thursday Jan 12 2023	US Inflation rate	7.1%	6.9%
Monday Jan 16 2023	German ZEW Economic Sentiment (Jan)	-23.3%	-26.4%
Thursday Jan 19 2023	US Philadelphia Fed Manufacturing Index	-13.8	-10.0
Wednesday Feb 1 2023	US FED Interest Rate Decision	2.5%	3.0%
Thursday Feb 2, 2023	ECB Interest Rate Decision	4.5%	5.0%

UK	31-Dec-22	31-Dec-21
FTSE 100	7,451	7,384
FTSE 100 % YTD	0.91%	-
BoE Interest Rate	3.50%	0.10%
CPI	10.70%	5.10%
Govt, 10YR Yield	3.67%	0.97%
FTSE 350	4,113	4,217

Currency	31-Dec-22	31-Dec-21
GBP/USD	1.21	1.35
GBP/EURO	1.13	1.19
EUR/USD	1.07	1.13

Commodity (\$)	31-Dec-22	31-Dec-21
Gold	1,830	1,828
Silver	24.18	23.35
Brent Crude Oil	80.51	75.21

Govt 10YR Bond	31-Dec-22	31-Dec-21
US	3.88	1.51
Japan (JGB)	0.42	0.07
Germany (Bund)	2.57	-0.18
Italy (BTP)	4.69	1.17

Global Markets	31-Dec-22	31-Dec-21
Dow Jones	33,147	36,338
S&P 500	3,839	4,772
Nasdaq 100	10,466	16,320
Dax	13,923	15,884
CAC	6,473	5,922
Nikkei 225	26,094	27,588
Shanghai	3,089	3,639
Sensex	60,840	58,253
Nifty 50	18,105	17,354

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