

# Current Update

January 2023



## Market Talking Points

- INFLATION:** Rate fell to 6.5% in the US (from 7.1%), to 10.5% (from 10.7%) in the UK and 8.5% (from 9.2%) 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:** At the start of February rates rose in the US (4.50%), the EU (3.00%) and the UK (4.00%). The Fed and BoE suggest they may be near the peak but suggest this level will be maintained despite market expectation for 2H rate cuts
- BENCHMARK RATES:** Inverted bond yield curves rates in UK, EU and US as 10Y rates fall alongside inflation expectations. 10Year rates now lowest since September despite interest rate increases of 1.50% in the same period.
- ECONOMIC GROWTH:** Positive growth in the US in Q4 (1.0%) beat expectations as jobs data remained strong despite higher rates. The UK growth was revised down to (-0.3%) in Q3 but positive (1.9%) on an annual basis
- POLITICS:** In a Cold-War like event political tensions rose between China and the US regarding a 'spy-balloon'. More fatefully an escalation in the Ukraine/Russia war is expected as winter eases, Russia regroupes and Ukraine prepares a counteroffensive.

## 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 31/01/2023

## Current Portfolio Relative Risk Level

- On January 27th the Risk Committee decreased the Tactical Risk Level to Neutral Level 3, out of 7, decreasing Enhancer asset exposure and duration risk following material portfolio gains since October
- Since risk was increased (October 18th) inflation and interest rate expectations have fallen leading to gains in most asset classes. Some of these recent gains appear unsustainable given prevailing uncertainty.
- With inflation still high and central banks remaining cautious a return to an underweight allocation was justified. While Anchor exposure was increased duration was materially reduced with returns from money market funds now becoming relatively more attractive
- 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
Friday Feb 10 2023	GDP (YoY) (Q4)	1.9%	0.4%
Wednesday Feb 15 2023	CPI (YoY) (Jan)	10.5%	10.5%
Tuesday Feb 14 2023	Claimant Count Change (Dec)	19.7K	-
Friday Feb 10 2023	Trade Balance (Dec)	-15.62B	-14.90B
Tuesday Feb 14 2023	Average Earnings Index +Bonus (Dec)	6.4%	6.2%
GLOBAL			
Tuesday Feb 07 2023	India Interest Rate Decision	6.25%	6.50%
Thursday Feb 23, 2023	EUR CPI (YoY) (Jan)	8.5%	9.2%
Tuesday Feb 21 2023	German ZEW Economic Sentiment (Feb)	16.9	-15.0
Tuesday Feb 07 2023	US Trade Balance (Dec)	-61.5B	-68.5B
Monday Feb 13, 2023	Japan GDP (YoY) (Q4)	-0.8%	2.0%

UK	31-Jan-23	31-Dec-22
FTSE 100	7,771	7,451
FTSE 100 % YTD	4.29%	-
BoE Interest Rate	4.00%	3.50%
CPI	10.50%	10.70%
Govt, 10YR Yield	3.34%	3.67%
FTSE 350	4,296	4,113

Currency	31-Jan-23	31-Dec-22
GBP/USD	1.23	1.21
GBP/EURO	1.13	1.13
EUR/USD	1.08	1.07

Commodity (\$)	31-Jan-23	31-Dec-22
Gold	1,945	1,830
Silver	23.84	24.18
Brent Crude Oil	78.87	80.51

Govt 10YR Bond	31-Jan-23	31-Dec-22
US	3.51	3.88
Japan (JGB)	0.50	0.42
Germany (Bund)	2.29	2.57
Italy (BTP)	4.15	4.69

Global Markets	31-Jan-23	31-Dec-22
Dow Jones	34,086	33,147
S&P 500	4,076	3,839
Nasdaq 100	11,584	10,466
Dax	15,128	13,923
CAC	7,082	6,473
Nikkei 225	27,327	26,094
Shanghai	3,255	3,089
Sensex	59,549	60,840
Nifty 50	17,662	18,105

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