

# Current Update

April 2023



## Market Talking Points

- INFLATION:** Rate fell to 5.0% in the US (from 6.0%) and to 10.1% (from 10.4%) in the UK but rose to 7.0% (from 6.9%) in the EU. These levels remain higher than Bank target rates and leave little room for the now expected rate cuts. Core Inflation remains over 5.5% in all three areas.
- CENTRAL BANK RATES:** In early May interest rates rose in the US (5.25%), the EU (3.75%) and are expected to hit 4.50% the UK. The Federal Reserve has indicated its intention to pause while the ECB suggested more rises to come. The BoE is expected to raise at least one more time.
- BENCHMARK RATES:** Longer term bond yields rose in UK, EU and US rose over the month despite expectations of Central Bank rate reversal still priced in for 2023. Short term (2Y) rates have seen high volatility as Central Bank guidance so data dependent.
- ECONOMIC GROWTH:** Growth in the US in Q1 (1.6%) beat expectations as jobs data remained strong despite higher rates. The UK growth was confirmed as positive 0.6% over 2022. Growth also continued (1.3%) across the EU as benefits from the Chinese reopening continue.
- BANK FAILURE:** First Republic Bank collapsed after depositors withdraw funds. The Fed guaranteed all US deposits but wiped out shareholders. Risk of Banking crisis appears unlikely as Large US Banks report strong earnings and deposit flows slow.

## Rivers Asset Index Data

Anchor	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Cash Plus / Enhanced Cash	0.4%	2.3%	3.4%	1.9%	2.8%	-0.09	0.3%
High Grade Bond and Income	-0.6%	1.8%	-5.9%	-0.3%	3.8%	0.26	6.2%
Low Risk Absolute Return	-0.5%	-4.7%	2.9%	3.8%	3.3%	0.22	6.0%
Enhancers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Developed Market Equity	0.8%	4.6%	3.3%	7.9%	9.3%	1.00	11.8%
Corporate, High Yield and Credit	0.3%	6.2%	-0.2%	2.5%	6.7%	0.80	9.3%
Emerging Market Equity	-1.9%	4.1%	-4.9%	2.0%	10.4%	0.78	13.2%
Diversifiers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Commodity Focused	-2.0%	-9.0%	-12.7%	7.7%	4.1%	0.36	11.6%
Medium Volatility Absolute Return	-0.8%	-8.6%	1.2%	5.4%	4.0%	0.31	8.0%
Themes, Macro and Trend	0.5%	-12.1%	-0.6%	8.2%	6.6%	0.25	10.4%
Real Estate	0.2%	-5.0%	-11.8%	3.5%	6.9%	0.73	9.5%

\*Annualised returns above 1 year, as of 30/04/2023

## 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 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
Thursday May 11 2023	BoE Interest Rate Decision (May)	4.25%	4.50%
Friday May 12 2023	GDP (YoY) (Q1)	0.60%	0.40%
Tuesday May 16 2023	Claimant Count Change (Apr)	28.2K	-
Wednesday May 24 2023	CPI (YoY) (Apr)	10.10%	9.80%
Friday May 26 2023	Retail Sales (MoM) (Apr)	-0.90%	-0.50%
GLOBAL			
Wednesday May 10 2023	US CPI (YoY) (Apr)	5.00%	5.20%
Friday May 12 2023	India CPI (YoY) (Apr)	5.66%	5.80%
Monday May 15 2023	China Industrial Production (YoY) (Apr)	3.90%	4.00%
Tuesday May 16 2023	German ZEW Economic Sentiment (May)	4.1	15.3
Tuesday May 16 2023	Japan GDP (YoY) (Q1)	0.10%	2.00%

UK	30-Apr-23	31-Dec-22
FTSE 100	7,870	7,451
FTSE 100 % YTD	5.62%	-
BoE Interest Rate	4.25%	3.50%
CPI	10.10%	10.70%
Govt, 10YR Yield	3.72%	3.67%
FTSE 350	4,329	4,113

Currency	30-Apr-23	31-Dec-22
GBP/USD	1.25	1.21
GBP/EURO	1.14	1.13
EUR/USD	1.1	1.07

Commodity (\$)	30-Apr-23	31-Dec-22
Gold	1,999	1,830
Silver	25.23	24.18
Brent Crude Oil	76.78	80.51

Govt 10YR Bond	30-Apr-23	31-Dec-22
US	3.42	3.88
Japan (JGB)	0.39	0.42
Germany (Bund)	2.31	2.57
Italy (BTP)	4.18	4.69

Global Markets	30-Apr-23	31-Dec-22
Dow Jones	34,098	33,147
S&P 500	4,169	3,839
Nasdaq 100	12,226	10,466
Dax	15,922	13,923
CAC	7,491	6,473
Nikkei 225	28,856	26,094
Shanghai	3,323	3,089
Sensex	61,112	60,840
Nifty 50	18,065	18,105

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