

Current Update

May 2023



Market Talking Points

- INFLATION:** Rate fell to 4.9% in the US (from 5.0%) and to 8.7% (from 10.1%) in the UK and to 6.1% (from 7.0%) 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 hit 4.50% the UK. The Federal Reserve did indicate 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:** Annual Growth rates remained positive at the end of Q1 for the US (1.6%), UK (0.2%) and EU (1.3%) beating expectations. This expected to slow but a 'soft' landing with the avoidance of recession is the current market expectation.
- ARTIFICIAL INTELLIGENCE:** During May a few US tech firms saw significant valuation growth as investors bet on strong earnings growth. Nvidia's valuation increase by 25% within 24 hours of it announcing better than expected earnings. The Chip maker is now priced at 20 times revenue.

Rivers Asset Index Data

Anchors	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Cash Plus / Enhanced Cash	0.0%	1.2%	1.2%	0.5%	1.9%	-0.04	0.8%
High Grade Bond and Income	-2.8%	-4.3%	-9.7%	-2.5%	3.5%	0.22	7.9%
Low Risk Absolute Return	0.4%	-2.4%	0.3%	2.9%	3.1%	0.26	5.9%
Enhancers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Developed Market Equity	-0.4%	-0.1%	7.8%	7.6%	9.1%	1.00	11.8%
Corporate, High Yield and Credit	-0.5%	1.5%	3.7%	2.3%	5.9%	0.79	8.5%
Emerging Market Equity	0.2%	-4.5%	-2.4%	1.9%	10.3%	0.77	13.7%
Diversifiers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Commodity Focused	-3.5%	-12.3%	-10.8%	6.0%	3.7%	0.36	11.6%
Medium Volatility Absolute Return	0.7%	-4.6%	-1.0%	4.6%	4.0%	0.35	7.8%
Themes, Macro and Trend	1.7%	-5.6%	-3.0%	7.9%	6.4%	0.28	10.4%
Real Estate	-1.2%	-5.2%	-10.6%	2.6%	6.7%	0.73	9.4%

*Annualised returns above 1 year, as of 31/05/2023

Current Portfolio Relative Risk Level

- During June the Risk Committee maintained the Tactical Risk Level at underweight Level 3, out of 7, with a relative Enhancer asset underweight and valuation bias.
- Within Anchors short duration bonds and cash offer an attractive nominal yield as well as protection against rising longer duration yields. Within Enhancers the recent concentrated technology stock gains appear unsustainable given prevailing uncertainty.
- With core inflation still high and central banks remaining cautious an underweight risk allocation remains justified although further risk reduction is not required given the significant valuation differences between sectors.
- 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 June 13 2023	Claimant Count Change (May)	46.7K	22.0K
Wednesday June 14 2023	GDP (MoM) (Apr)	-0.30%	0.20%
Wednesday June 21 2023	CPI (YoY) (May)	8.70%	8.40%
Thursday June 22 2023	BoE Interest Rate Decision (Jun)	4.50%	4.75%
Friday June 23 2023	Retail Sales (MoM) (May)	0.50%	0.5%
GLOBAL			
Tuesday June 13 2023	US Inflation Rate YoY	4.90%	4.70%
Wednesday June 14 2023	Fed Interest Rate Decision	5.25%	5.25%
Thursday June 15 2023	ECB Interest Rate Decision	3.75%	4.0%
Friday June 16 2023	BoJ Interest Rate Decision	-0.1%	-0.1%
Friday June 23 2023	Inflation Rate YoY	3.50%	

UK	31-May-23	31-Dec-22
FTSE 100	7,446	7,451
FTSE 100 % YTD	-0.20%	-
BoE Interest Rate	4.50%	3.50%
CPI	8.70%	10.70%
Govt, 10YR Yield	4.18%	3.67%
FTSE 350	4,107	4,113

Currency	31-May-23	31-Dec-22
GBP/USD	1.24	1.21
GBP/EURO	1.16	1.13
EUR/USD	1.07	1.07

Commodity (\$)	31-May-23	31-Dec-22
Gold	1,982	1,830
Silver	23.58	24.18
Brent Crude Oil	68.09	80.51

Govt 10YR Bond	31-May-23	31-Dec-22
US	3.65	3.88
Japan (JGB)	0.43	0.42
Germany (Bund)	2.28	2.57
Italy (BTP)	4.08	4.69

Global Markets	31-May-23	31-Dec-22
Dow Jones	32,908	33,147
S&P 500	4,179	3,839
Nasdaq 100	12,935	10,466
Dax	15,664	13,923
CAC	7,098	6,473
Nikkei 225	30,887	26,094
Shanghai	3,204	3,089
Sensex	62,622	60,840
Nifty 50	18,534	18,105

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