

Current Update

June 2023

Market Talking Points

- INFLATION:** Rate fell to 4.0% in the US (from 4.9%) and to 5.5% (from 6.1%) in the EU it stayed at 8.7% in the UK indicating more persistence. Inflation remains higher than Bank target rates and leave little room for expected rate cuts. Core Inflation remains over 5.5% in all three areas.
- CENTRAL BANK RATES:** In June interest rates were unchanged in the US (5.25%), but increased in the EU (4.0%) and UK (5.0%). All major Central Banks indicated a more hawkish outlook as the arithmetic price changes from the Ukraine roll out but wages and costs continue to rise
- BENCHMARK RATES:** Longer term bond yields rose in UK, EU and US rose over the month as expectations of Central Bank rate reversal still during 2023 fell sharply. 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 significant 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

Anchor	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Cash Plus / Enhanced Cash	0.5%	2.5%	4.0%	2.0%	2.8%	-0.09	0.4%
High Grade Bond and Income	-0.3%	-0.3%	-8.8%	-0.9%	3.6%	0.26	6.2%
Low Risk Absolute Return	-0.6%	-2.2%	0.8%	3.0%	3.4%	0.22	5.9%
Enhancers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Developed Market Equity	1.8%	4.6%	3.6%	7.3%	9.1%	1.00	11.8%
Corporate, High Yield and Credit	1.8%	4.8%	2.3%	2.8%	6.6%	0.80	9.3%
Emerging Market Equity	1.2%	-0.7%	-1.3%	2.9%	10.0%	0.78	13.1%
Diversifiers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Commodity Focused	0.2%	-10.2%	-13.0%	6.7%	3.9%	0.36	11.5%
Medium Volatility Absolute Return	-0.9%	-4.9%	-2.0%	4.2%	3.9%	0.31	7.8%
Themes, Macro and Trend	-0.2%	-4.3%	-1.2%	7.7%	6.5%	0.24	10.4%
Real Estate	0.3%	-1.6%	-14.0%	2.3%	6.6%	0.73	9.4%

*Annualised returns above 1 year, as of 30/06/2023

Current Portfolio Relative Risk Level

- During June the Risk Committee reduced the Tactical Risk Level to defensive Level 2, out of 7, with a relative Enhancer asset underweight and valuation bias.
- Within Anchors short duration bonds and cash offer an attractive nominal yield. Within Enhancers recent concentrated technology stock gains appear unsustainable given prevailing uncertainty and persistent inflation.
- With core inflation still high and central banks determined to slow economic growth a more underweight risk allocation is justified. The elevated 'risk free' returns for sterling, recession risk and extended valuation in many equity sectors make a more prudent allocation appropriate.
- 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 July 07 2023	Halifax House Price Index YoY	-1.1%	-1.7%
Tuesday July 11 2023	Unemployment Rate	3.8%	3.9%
Thursday July 13 2023	GDP MoM (May)	0.2%	0.0%
Wednesday July 19 2023	Inflation Rate YoY	8.7%	8.3%
Friday July 21 2023	Retail Sales MoM (Jun)	0.3%	-0.2%
GLOBAL			
Wednesday July 12 2023	US Inflation Core Rate YoY	5.3%	5.0%
Friday July 14 2023	Michigan Consumer Sentiment Prel J	64.4	65.5
Wednesday July 26 2023	Fed Interest Rate Decision	5.25%	5.5%
Thursday July 27 2023	ECB Interest Rate Decision	4.5%	5.8%
Friday July 28 2023	BoJ Interest Rate Decision	64.4	64.5



UK	30-Jun-23	31-Dec-22
FTSE 100	7,531	7,451
FTSE 100 % YTD	1.07%	-
BoE Interest Rate	5.00%	3.50%
CPI	8.70%	10.70%
Govt, 10YR Yield	4.39%	3.67%
FTSE 350	4,138	4,113

Currency	30-Jun-23	31-Dec-22
GBP/USD	1.27	1.21
GBP/EURO	1.16	1.13
EUR/USD	1.09	1.07

Commodity (\$)	30-Jun-23	31-Dec-22
Gold	1,929	1,830
Silver	23.2	24.18
Brent Crude Oil	70.64	80.51

Govt 10YR Bond	30-Jun-23	31-Dec-22
US	3.84	3.88
Japan (JGB)	0.40	0.42
Germany (Bund)	2.39	2.57
Italy (BTP)	4.07	4.69

Global Markets	30-Jun-23	31-Dec-22
Dow Jones	34,407	33,147
S&P 500	4,450	3,839
Nasdaq 100	13,787	10,466
Dax	16,147	13,923
CAC	7,400	6,473
Nikkei 225	33,189	26,094
Shanghai	3,202	3,089
Sensex	64,718	60,840
Nifty 50	19,189	18,105

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