

Current Update

July 2023

Market Talking Points

- INFLATION:** Rate fell to 3.0% in the US (from 4.0%), to 5.3% (from 5.5%) in the EU and 7.9% (from 8.7%) in the UK. The fall in the UK was particularly welcomed as the stubbornly high inflation there began to abate. Core Inflation remains around 5% in all three areas.
- CENTRAL BANK RATES:** In July interest rates rose again in the US (5.50%), the EU (4.25%) and UK (5.25%). 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 Q2 for the US (2.6%), UK (0.2%) and EU (0.6%) beating expectations. This expected to slow but a 'soft' landing with the avoidance of significant recession is the current market expectation.
- RUSSIA UKRAINE:** With an escalation of the war Russia has reneged on agreements to maintain grain supplies, and Ukraine has targeted Russian oil supplies. These have contributed to sharp increases in Wheat and Oil prices which had both moderated in recent months.

Rivers Asset Index Data

Anchor	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Cash Plus / Enhanced Cash	0.6%	1.1%	2.1%	0.6%	1.9%	-0.04	0.8%
High Grade Bond and Income	0.2%	-3.0%	-6.8%	-2.2%	3.6%	0.23	7.9%
Low Risk Absolute Return	-0.5%	-1.9%	-4.3%	2.4%	3.0%	0.25	6.0%
Enhancers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Developed Market Equity	1.9%	3.7%	5.6%	7.8%	9.1%	1.00	11.7%
Corporate, High Yield and Credit	1.3%	2.0%	3.8%	2.5%	6.0%	0.79	8.5%
Emerging Market Equity	4.4%	-0.4%	-2.6%	3.0%	9.9%	0.77	13.7%
Diversifiers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Commodity Focused	4.2%	-4.9%	-12.9%	7.9%	3.9%	0.36	11.6%
Medium Volatility Absolute Return	-0.7%	-4.3%	-8.1%	3.8%	3.7%	0.34	7.9%
Themes, Macro and Trend	-1.1%	-4.1%	-9.1%	7.2%	6.3%	0.27	10.5%
Real Estate	1.1%	-3.5%	-11.7%	2.3%	6.5%	0.72	9.4%

*Annualised returns above 1 year, as of 31/07/2023

Current Portfolio Relative Risk Level

- In 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
Monday August 07 2023	Halifax House Price Index YoY	-2.60%	-3.10%
Friday August 11 2023	GDP MoM (Jul)	-0.10%	0.10%
Tuesday August 15 2023	Unemployment Rate (Jul)	4.00%	4.00%
Wednesday Aug 16 2023	Inflation Rate YoY	7.90%	7.40%
Friday August 18 2023	Retail Sales MoM (Jul)	0.70%	-
GLOBAL			
Thursday August 10 2023	US Inflation Rate YoY	3.00%	3.10%
Friday August 11 2023	US Michigan Consumer Sentiment Prel	71.6	71.3
Tuesday August 15 2023	German ZEW Economic Sentiment Index	-14.7	-16
Wednesday August 16 2023	FOMC Committee meeting minutes		
Thursday August 31 2023	India GDP Growth Rate YoY	6.10%	4.00%



UK	31-Jul-23	31-Dec-22
FTSE 100	7,699	7,451
FTSE 100 % YTD	3.02%	-
BoE Interest Rate	5.25%	3.50%
CPI	7.90%	10.70%
Govt, 10YR Yield	4.31%	3.67%
FTSE 350	4,240	4,113

Currency	31-Jul-23	31-Dec-22
GBP/USD	1.28	1.21
GBP/EURO	1.17	1.13
EUR/USD	1.10	1.07

Commodity (\$)	31-Jul-23	31-Dec-22
Gold	2,009	1,830
Silver	24.97	24.18
Brent Crude Oil	81.8	80.51

Govt 10YR Bond	31-Jul-23	31-Dec-22
US	3.96	3.88
Japan (JGB)	0.60	0.42
Germany (Bund)	2.49	2.57
Italy (BTP)	4.10	4.69

Global Markets	31-Jul-23	31-Dec-22
Dow Jones	35,559	33,147
S&P 500	4,588	3,839
Nasdaq 100	14,346	10,466
Dax	16,446	13,923
CAC	7,497	6,473
Nikkei 225	33,172	26,094
Shanghai	3,291	3,089
Sensex	66,527	60,840
Nifty 50	19,753	18,105

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