

Current Update

August 2023



Market Talking Points

- INFLATION:** Rate rose to 3.2% in the US (from 3.0%), fell to 5.3% (from 5.5%) in the EU and to 6.8% (from 7.9%) 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 regions.
- 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 in UK, EU and US rose during August as expectations of Central Bank rate reversal still during 2023 fell. 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.
- ENERGY PRICE:** With an OPEC and Russian agreement to cut production the price of Brent Oil ticked up towards \$90 during August. The price of Natural Gas also hit a year to date high just as the impact on inflation was expected to ease.

Rivers Asset Index Data

Anchors	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Cash Plus / Enhanced Cash	0.5%	2.8%	4.6%	2.1%	2.8%	-0.10	0.4%
High Grade Bond and Income	-0.3%	-0.4%	-0.3%	-1.0%	3.7%	0.27	6.2%
Low Risk Absolute Return	1.0%	-2.5%	-7.2%	2.7%	3.2%	0.21	6.0%
Enhancers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Developed Market Equity	-1.1%	1.9%	8.9%	6.8%	8.7%	1.00	11.8%
Corporate, High Yield and Credit	-0.4%	3.8%	10.5%	2.6%	6.6%	0.81	9.3%
Emerging Market Equity	-3.8%	0.1%	0.4%	2.6%	9.1%	0.78	13.3%
Diversifiers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Commodity Focused	0.8%	-1.0%	-9.4%	8.2%	3.7%	0.35	11.6%
Medium Volatility Absolute Return	1.3%	-4.3%	-11.2%	3.8%	3.6%	0.30	7.9%
Themes, Macro and Trend	0.2%	-6.0%	-14.0%	6.7%	6.1%	0.24	10.4%
Real Estate	-0.8%	-3.0%	-7.3%	1.8%	6.4%	0.73	9.4%

*Annualised returns above 1 year, as of 31/08/2023

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
Tuesday Sept 12 2023	Unemployment Rate JUL	4.2%	4.2%
Wednesday Sept 13 2023	GDP MoM JUL	0.5%	-0.2%
Wednesday Sept 20 2023	Inflation Rate YoY AUG	6.8%	6.5%
Thursday Sept 21 2023	BoE Interest Rate Decision	5.25%	5.50%
Friday Sept 22 2023	Retail Sales MoM (AUG)	-1.2%	
GLOBAL			
Wednesday Sept 13 2023	US Inflation Rate YoY AUG	3.2%	3.6%
Thursday Sept 14 2023	ECB Interest Rate Decision	4.25%	4.25%
Wednesday Sept 20 2023	Fed Interest Rate Decision	5.50%	5.50%
Friday Sept 22 2023	BoJ Interest Rate Decision	-0.1%	-0.1%
Wednesday Sept 27 2023	Durable Goods Orders MoM AUG	-5.2%	2.9%

UK	31-Aug-23	31-Dec-22
FTSE 100	7,439	7,451
FTSE 100 % YTD	-0.17%	-
BoE Interest Rate	5.25%	3.50%
CPI	6.90%	10.70%
Govt, 10YR Yield	4.36%	3.67%
FTSE 350	4,100	4,113

Currency	31-Aug-23	31-Dec-22
GBP/USD	1.27	1.21
GBP/EURO	1.17	1.13
EUR/USD	1.10	1.07

Commodity (\$)	31-Aug-23	31-Dec-22
Gold	1,966	1,830
Silver	24.81	24.18
Brent Crude Oil	83.6	80.51

Govt 10YR Bond	31-Aug-23	31-Dec-22
US	4.10	3.88
Japan (JGB)	0.65	0.42
Germany (Bund)	2.46	2.57
Italy (BTP)	4.12	4.69

Global Markets	31-Aug-23	31-Dec-22
Dow Jones	34,722	33,147
S&P 500	4,508	3,839
Nasdaq 100	14,034	10,466
Dax	15,947	13,923
CAC	7,317	6,473
Nikkei 225	32,619	26,094
Shanghai	3,119	3,089
Sensex	64,387	60,840
Nifty 50	19,253	18,105

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