

# Current Update

September 2023



## Market Talking Points

- INFLATION:** Rate rose to 3.7% in the US (from 3.2%), fell to 4.3% (from 4.3%) in the EU and to 6.7% (from 6.8%) 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 September interest rates were kept the same in the US (5.50%), but rose in 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 hit post financial crisis records in UK, EU and US as expectations of Central Bank rate reversal still during 2023 fell. The UK 30Y rate rose above the level that triggered BoE intervention last year.
- ECONOMIC GROWTH:** Annual Growth rates remained positive at the end of Q2 for the US (2.4%), UK (0.6%) and EU (0.5%) 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 above \$90 during September. 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

Anchor	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Cash Plus / Enhanced Cash	0.5%	2.9%	4.8%	2.2%	2.8%	-0.10	0.4%
High Grade Bond and Income	-1.4%	-4.1%	-1.8%	-1.1%	3.6%	0.27	6.3%
Low Risk Absolute Return	2.2%	2.0%	-2.3%	3.3%	3.5%	0.20	6.1%
Enhancers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Developed Market Equity	0.1%	2.7%	6.5%	6.8%	8.9%	1.00	11.8%
Corporate, High Yield and Credit	-1.4%	1.3%	7.2%	2.2%	6.4%	0.81	9.4%
Emerging Market Equity	1.4%	1.2%	7.5%	3.2%	9.4%	0.78	13.3%
Diversifiers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Commodity Focused	2.5%	2.0%	-5.3%	8.6%	4.0%	0.35	11.6%
Medium Volatility Absolute Return	2.8%	2.3%	-5.8%	4.7%	4.0%	0.29	8.0%
Themes, Macro and Trend	3.5%	4.8%	-8.3%	7.8%	6.7%	0.23	10.5%
Real Estate	-1.8%	-2.2%	-7.3%	1.7%	6.3%	0.73	9.4%

\*Annualised returns above 1 year, as of 30/09/2023

## 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
Thursday Oct 12 2023	GDP MoM AUG	-0.50%	-0.10%
Tuesday Oct 17 2023	Unemployment Rate AUG	4.30%	4.30%
Wednesday Oct 18 2023	Inflation Rate YoY SEP	6.70%	6.50%
Friday Oct 20 2023	Gfk Consumer Confidence OCT	-21	-
Thursday Nov 02 2023	BoE Interest Rate Decision	5.5%	5.5%
GLOBAL			
Wednesday Oct 11 2023	US FOMC Minutes		
Thursday Oct 12 2023	US Inflation Rate YoY SEP	3.70%	3.80%
Tuesday Oct 17 2023	German ZEW Economic Sentiment Index	-11.4	-16
Friday Oct 20 2023	Japan Inflation Rate YoY SEP	3.20%	3.10%
Wednesday Nov 1 2023	Fed Interest Rate Decision	5.5%	5.5%

UK	30-Sep-23	31-Dec-22
FTSE 100	7,608	7,451
FTSE 100 % YTD	2.10%	-
BoE Interest Rate	5.25%	3.50%
CPI	6.70%	10.70%
Govt, 10YR Yield	4.45%	3.67%
FTSE 350	4,170	4,113

Currency	30-Sep-23	31-Dec-22
GBP/USD	1.22	1.21
GBP/EURO	1.15	1.13
EUR/USD	1.06	1.07

Commodity (\$)	30-Sep-23	31-Dec-22
Gold	1,866	1,830
Silver	22.45	24.18
Brent Crude Oil	90.79	80.51

Govt 10YR Bond	30-Sep-23	31-Dec-22
US	4.58	3.88
Japan (JGB)	0.77	0.42
Germany (Bund)	2.84	2.57
Italy (BTP)	4.78	4.69

Global Markets	30-Sep-23	31-Dec-22
Dow Jones	33,507	33,147
S&P 500	4,288	3,839
Nasdaq 100	13,219	10,466
Dax	15,429	13,923
CAC	7,135	6,473
Nikkei 225	31,857	26,094
Shanghai	3,110	3,089
Sensex	65,828	60,840
Nifty 50	19,253	18,105

## Rivers Contacts

Richard Bonnor-Moris  
rbm@riverscm.com

Eduardo Tomacelli  
etomacelli@riverscm.com

Najib El-Rayyes  
ner@riverscm.com

## Rivers Capital Management

Tel. +44 (0)20 3383 0180

Email. info@riverscm.com

For further information or enquires, professional advisors please contact the investment team directly on **020 3383 0180** or by emailing **info@riverscm.com**

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