

Current Update

December 2023



Market Talking Points

- INFLATION:** Rate fell to 3.1% in the US (from 3.7%), 3.9% in the UK (from 4.6%) and 2.4% in the EU (from 4.5%). With the CPI no longer falling attention has turned to the Core Inflation rates which are 4.0% in the US, 3.6% in the EU and 5.1% in the UK.
- CENTRAL BANK RATES:** In December interest rates were kept the same in the US (5.50%) and the UK (5.25%) they rose in the EU (4.5%). In a surprisingly news conference Fed Chairman Powell gave strong indications that rates had peaked and would be cut during 2024 boosting equity values globally.
- BENCHMARK RATES:** Longer term bond yields again hit post financial crisis records in UK, EU and US as expectations of Central Bank maintain rates until 2025. The UK 30Y rate rose above the level that triggered BoE intervention last year.
- ECONOMIC GROWTH:** Annual Growth rates remained remarkably positive at the end of Q3 for the US (4.9%). Modest but still positive growth was seen in the UK (0.3%) and EU (0.1%). This expected to slow but a 'soft' landing with the avoidance of significant recession is the current market expectation.
- GAZA:** The risk of the reaction to the Hamas terrorist attack in Israel spreading across the region as civilian casualties rise seems real. The potential for a second front opening on the border of Lebanon, courtesy of the Iran backed Hezbollah, appears contained but could escalate quickly.

Rivers Asset Index Data

Anchors	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Cash Plus / Enhanced Cash	0.5%	3.1%	5.3%	2.4%	2.8%	-0.09	0.5%
High Grade Bond and Income	3.9%	4.7%	2.1%	-0.1%	3.9%	0.29	6.6%
Low Risk Absolute Return	0.1%	2.8%	1.4%	3.2%	3.7%	0.20	6.3%
Enhancers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Developed Market Equity	3.6%	5.8%	6.6%	10.0%	8.9%	1.00	11.4%
Corporate, High Yield and Credit	3.9%	7.0%	8.1%	4.6%	6.5%	0.81	9.6%
Emerging Market Equity	3.3%	5.4%	0.8%	4.8%	9.1%	0.78	13.0%
Diversifiers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Commodity Focused	-2.6%	1.2%	-7.6%	8.1%	3.5%	0.33	11.8%
Medium Volatility Absolute Return	0.1%	2.8%	-1.0%	4.5%	4.2%	0.29	8.2%
Themes, Macro and Trend	-0.4%	-0.6%	-3.6%	7.3%	6.5%	0.21	10.9%
Real Estate	4.7%	3.9%	-0.8%	3.1%	6.5%	0.73	9.6%

*Annualised returns above 1 year, as of 31/12/2023

Current Portfolio Relative Risk Level

- On December 18th the Risk Committee decreased the Tactical Risk Level to underweight Level 2, out of 7, with an 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.
- The strong rebound in returns during November and December went beyond expectations. With markets pricing in a soft landing and significant interest rate cuts the possibility of disappointment appears elevated
- 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 January 12 2024	GDP MoM NOV	-0.3%	0.1%
Tuesday January 16 2024	Unemployment Rate NOV	4.20%	
Wednesday January 17 2024	Inflation Rate YoY	3.9%	3.9%
Friday January 19 2024	Retail Sales MoM DEC	1.3%	
Wednesday January 31 2024	BoE Interest Rate Decision	5.5%	5.5%
GLOBAL			
Thursday January 11 2024	Inflation Rate MoM DEC	3.1%	3.0%
Tuesday January 16 2024	ZEW Economic Sentiment Index	12.8	15
Wednesday January 17 2024	Retail Sales MoM DEC	3.9%	3.9%
Tuesday January 23 2024	BoJ Interest Rate Decision	-0.1%	-0.1%
Thursday Dec 14 2023	Fed Interest Rate Decision	5.50%	5.50%

UK	31-Dec-23	31-Dec-22
FTSE 100	7,733.24	7,451
FTSE 100 % YTD	3.78%	-
BoE Interest Rate	5.25%	3.50%
Inflation	3.90%	10.70%
Core Inflation	5.10%	10.70%
Govt, 10YR Yield	3.54%	3.67%
Currency	31-Dec-23	31-Dec-22
GBP/USD	1.27	1.21
GBP/EURO	1.15	1.13
EUR/USD	1.10	1.07
Commodity (\$)	31-Dec-23	31-Dec-22
Gold	2,063	1,830
Silver	23.76	24.18
Brent Crude Oil	71.65	80.51
Govt 10YR Bond	31-Dec-23	31-Dec-22
US	3.86	3.88
Japan (JGB)	0.62	0.42
Germany (Bund)	2.03	2.57
Italy (BTP)	3.70	4.69
Global Markets	31-Dec-23	31-Dec-22
Dow Jones	37,690	33,147
S&P 500	4,770	3,839
Nasdaq 100	16,826	10,466
Dax	16,752	13,923
CAC	7,543	6,473
Nikkei 225	33,464	26,094
Shanghai	2,975	3,089
Sensex	72,240	60,840
Nifty 50	21,731	18,105

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