

# Current Update

February 2024

## Market Talking Points

- INFLATION:** CPI rate fell to 3.1% in the US (from 3.4%) and 2.6% in the EU (from 2.6%) but rose in to 4.0% in the UK (from 3.9%). With the CPI no longer falling attention has turned to the Core Inflation rates which are 3.9% in the US, 3.1% 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%) and the EU (4.5%). In the FOMC news conference Fed Chairman Powell rolled back on the markets expectation of rate cuts for the year, effectively ruling out a cut as soon as March.
- BENCHMARK RATES:** After falling materially during the final quarter 2023 10 year benchmark interests rose during January. The bond market has lowered expectation of imminent US rate cuts given economic growth and jobs data remaining strong
- ECONOMIC GROWTH:** Annual Growth rates remained remarkably positive in 2023 within the US (+3.1% YoY). In a reversal of expectation Annual Growth for the UK turned negative (-0.2%) but remained positive, just, in the EU (0.1%).
- BUDGET:** The ISA allowance is grown by £5,000 (if invested in UK equity). Nom-Dom status is essentially removed. Child benefit taper is changed and National Insurance, for employees, is cut by 2% although no with changes to tax bands the overall tax rate

## Rivers Asset Index Data

Anchors	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Cash Plus / Enhanced Cash	0.5%	3.1%	5.5%	2.6%	2.8%	-0.09	0.5%
High Grade Bond and Income	-1.0%	2.6%	-0.2%	-0.6%	3.7%	0.29	6.6%
Low Risk Absolute Return	0.7%	3.5%	3.2%	3.9%	3.8%	0.20	6.2%
Enhancers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Developed Market Equity	2.5%	8.8%	11.7%	9.7%	9.0%	1.00	11.4%
Corporate, High Yield and Credit	1.2%	7.4%	10.4%	3.9%	6.5%	0.81	9.5%
Emerging Market Equity	4.7%	6.6%	6.4%	4.5%	9.0%	0.78	13.1%
Diversifiers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Commodity Focused	-0.7%	-4.0%	-4.6%	7.7%	3.4%	0.33	11.8%
Medium Volatility Absolute Return	1.0%	3.1%	2.6%	5.4%	4.4%	0.29	8.1%
Themes, Macro and Trend	2.9%	3.9%	5.3%	9.2%	6.7%	0.22	10.8%
Real Estate	-0.1%	1.2%	0.7%	1.9%	6.2%	0.73	9.5%

\*Annualised returns above 1 year, as of 29/02/2024

## 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
Tuesday March 12 2024	Unemployment Rate JAN	3.8%	3.8%
Wednesday March 13 2024	GDP MoM JAN	-0.1%	0.0%
Wednesday March 20 2024	Inflation Rate YoY FEB	4.0%	3.9%
Thursday March 21 2024	BoE Interest Rate Decision	5.25%	5.25%
Friday March 22 2024	Retail Sales MoM FEB	3.4%	0.3%
GLOBAL			
Friday March 7 2024	US Non Farm Payrolls FEB	353K	200K
Tuesday March 12 2024	US Inflation Rate YoY FEB	3.1%	3.0%
Wednesday March 20 2024	Fed Interest Rate Decision	5.5%	5.5%
Thursday March 21 2024	JP Inflation Rate YoY FEB	2.2%	2.1%
Tuesday March 26 2024	DE GfK Consumer Confidence APR	-29	-28



UK	29-Feb-24	31-Dec-23
FTSE 100	7,630	7,733
FTSE 100 % YTD	-1.33%	
BoE Interest Rate	5.25%	5.25%
Inflation	4.00%	3.90%
Core Inflation	5.10%	5.10%
Govt, 10YR Yield	4.12%	3.54%
Currency	29-Feb-24	31-Dec-23
GBP/USD	1.26	1.27
GBP/EURO	1.17	1.15
EUR/USD	1.08	1.10
Commodity (\$)	29-Feb-24	31-Dec-23
Gold	2,043	2,071
Silver	22.67	24.02
Brent Crude Oil	78.26	71.33
Govt 10YR Bond	29-Feb-24	31-Dec-23
US	4.25	3.88
Japan (JGB)	0.72	0.63
Germany (Bund)	2.40	2.00
Italy (BTP)	3.84	3.70
Global Markets	29-Feb-24	31-Dec-23
Dow Jones	38,996	37,690
S&P 500	5,096	4,770
Nasdaq 100	18,044	15,011
Dax	17,678	16,751
CAC	7,927	7,543
Nikkei 225	39,166	33,464
Shanghai	3,015	2,975
Sensex	72,500	72,240
Nifty 50	21,983	21,731

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