

Current Update

May 2024



Market Talking Points

- INFLATION:** CPI rate fell to 3.4% in the US (from 3.5%) and to 2.3% in the UK (from 3.2%) but rose to 2.6% in the EU (from 2.4%). Core Inflation rates, those that excludes fuel and food are 3.6% in the US, 2.9% in the EU and 3.9% in the UK.
- CENTRAL BANK RATES:** In May interest rates were kept the same in the US (5.50%) and the UK (5.25%) but cut modestly at the ECB in early June (4.25%). In the FOMC news conference Fed Chairman Powell continued to roll back on the expectation of rate cuts
- BENCHMARK RATES:** Benchmark 10 Year interest rates decreased during May finishing at 4.50% in the US and 4.32% in the UK but rose over 1% in Japan for the first time since 2011. The bond market has lowered expectation of US rate cuts but is expecting earlier cuts from the ECB
- ECONOMIC GROWTH:** Annual Growth rates were low but positive in the first quarter within the US (+1.6%), the EU (+0.3%), Japan (+0.1%) and the UK (0.6%). The expected recession has failed to materialise as the 'soft landing' appears to continue to play out.
- ELECTIONS:** The Labour party widely expected to win the UK election comfortably. With economic constraints unlikely to ease the effect, to investment markets, is likely to be small. The unexpected weak victory in India by Modi and the BJP has not prevented the market there from setting new highs.

Rivers Asset Index Data

Anchors	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Cash Plus / Enhanced Cash	0.5%	3.1%	5.8%	2.8%	2.8%	-0.08	0.6%
High Grade Bond and Income	0.8%	2.0%	2.7%	-1.4%	3.7%	0.29	6.5%
Low Risk Absolute Return	-0.4%	4.2%	7.0%	3.6%	3.9%	0.20	6.2%
Enhancers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Developed Market Equity	2.4%	13.3%	16.6%	10.2%	9.4%	1.00	11.4%
Corporate, High Yield and Credit	1.6%	7.4%	10.7%	3.9%	6.7%	0.81	9.5%
Emerging Market Equity	-1.0%	8.3%	10.5%	4.6%	9.6%	0.78	13.1%
Diversifiers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Commodity Focused	0.0%	5.4%	9.6%	9.1%	3.7%	0.33	12.0%
Medium Volatility Absolute Return	-0.7%	4.1%	6.9%	4.7%	4.5%	0.29	8.1%
Themes, Macro and Trend	-1.5%	9.2%	8.9%	8.3%	7.2%	0.22	10.8%
Real Estate	1.3%	3.0%	2.2%	1.2%	6.2%	0.74	9.5%

*Annualised returns above 1 year, as of 31/05/2024

Current Portfolio Relative Risk Level

- On February 27th the Risk Committee maintained the Tactical Risk Level at 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 June 11 2024	Unemployment Rate APR	4.3%	4.3%
Wednesday June 12 2024	GDP MoM APR	0.4%	0.0%
Wednesday June 19 2024	Inflation Rate YoY MAY	2.3%	2.4%
Thursday June 20 2024	BoE Interest Rate Decision	5.25%	5.25%
Friday June 21 2024	Retail Sales MoM MAY	-2.3%	
GLOBAL			
Wednesday June 12 2024	US Inflation Rate YoY MAY	3.4%	3.4%
Wednesday June 12 2024	US FOMC Meeting and Decision	5.5%	5.5%
Thursday June 20 2024	BoJ Interest Rate Decision	0.1%	0.1%
Thursday June 20 2024	DE Ifo Business Climate JUN	89.3	93
Friday June 28 2024	US Core PCE Price Index MoM APR	0.2%	0.3%

UK	31-May-24	31-Dec-23
FTSE 100	8,275.38	7,733
FTSE 100 % YTD	7.01%	
BoE Interest Rate	5.25%	5.25%
Inflation	2.30%	3.90%
Core Inflation	3.90%	5.10%
Govt, 10YR Yield	4.32%	3.54%
Currency	31-May-24	31-Dec-23
GBP/USD	1.27	1.27
GBP/EURO	1.17	1.15
EUR/USD	1.08	1.10
Commodity (\$)	31-May-24	31-Dec-23
Gold	2,327	2,071
Silver	30.41	24.02
Brent Crude Oil	76.99	71.33
Govt 10YR Bond	31-May-24	31-Dec-23
US	4.50	3.88
Japan (JGB)	1.07	0.63
Germany (Bund)	2.66	2.00
Italy (BTP)	3.99	3.70
Global Markets	31-May-24	31-Dec-23
Dow Jones	38,686	37,690
S&P 500	5,278	4,770
Nasdaq 100	16,739	15,011
Dax	18,498	16,751
CAC	7,993	7,543
Nikkei 225	38,488	33,464
Shanghai	3,087	2,975
Sensex	73,961	72,240
Nifty 50	22,531	21,731

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