

Current Update

August 2024



Market Talking Points

- INFLATION:** CPI rate fell to 2.9% in the US (from 3.0%) and to 2.2% in the EU (from 2.6%) but rose to 2.2% in the UK (from 2.0%). Core Inflation rates, those that excludes fuel and food are 3.2% in the US, 2.8% in the EU and 3.3% in the UK.
- CENTRAL BANK RATES:** In August interest rates were kept the same in the US (5.50%) and the ECB (4.25%) but were raised in Japan to 0.25%. At Jackson Hole Economic Forum Fed Chairman Powell made it clear that US rates would likely be reduced in September
- BENCHMARK RATES:** Benchmark 10 Year interest rates decreased during August finishing at 3.91% in the US, 2.29% in Germany and 4.01% in the UK. The Japanese 10 yr rate fell below 1% despite the BoJ raising rates, Yen strength and increased equity volatility
- ECONOMIC GROWTH:** Annual Growth rates were low but positive in the second quarter within the US (+1.4%), the EU (+0.6%), Japan (+0.1%) and the UK (0.3%). The expected recession has failed to materialise but indications of a US and global slowdown have increased.
- VOLATILITY:** In early August significant increases in equity market volatility were seen in many regions. An historic 20% fall in Japanese equities over two days increased risk globally. The US Nasdaq index fell into correction territory (-10%) and volatility reached levels not seen since the outbreak of Covid.

Rivers Asset Index Data

Anchor	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Cash Plus / Enhanced Cash	0.5%	3.1%	5.8%	3.0%	2.8%	-0.07	0.6%
High Grade Bond and Income	0.5%	2.9%	7.2%	-2.0%	3.7%	0.29	6.3%
Low Risk Absolute Return	-0.6%	1.1%	1.6%	2.7%	3.8%	0.20	6.1%
Enhancers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Developed Market Equity	0.1%	8.1%	17.7%	9.6%	9.5%	1.00	11.2%
Corporate, High Yield and Credit	1.3%	5.9%	15.4%	3.9%	6.7%	0.82	9.5%
Emerging Market Equity	-0.7%	6.1%	11.5%	4.7%	9.5%	0.78	12.9%
Diversifiers	1m	6m	12m	5yr*	20yr*	Eq Corr	5yr Vol
Commodity Focused	-1.5%	2.2%	-4.2%	6.4%	3.4%	0.34	12.1%
Medium Volatility Absolute Return	-1.0%	0.2%	-0.3%	3.2%	4.3%	0.28	7.9%
Themes, Macro and Trend	-2.7%	-2.8%	-3.0%	4.7%	6.9%	0.21	10.6%
Real Estate	2.2%	6.8%	9.8%	1.4%	6.1%	0.75	9.6%

*Annualised returns above 1 year, as of 31/07/2024

Current Portfolio Relative Risk Level

- On August 13th 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 slowing growth.
- The strong rebound in the first half of 2024 is welcomed but 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 Sept 10 2024	Unemployment Rate JUL	4.2%	4.2%
Wednesday Sept 11 2024	GDP MoM JUL	0.2%	0.3%
Wednesday Sept 18 2024	Inflation Rate YoY AUG	2.2%	2.0%
Thursday Sept 19 2024	BoE Interest Rate Decision	5.0%	4.75%
Friday Sept 20 2024	Retail Sales MoM AUG	0.5%	
GLOBAL			
Wednesday Sept 11 2024	US Inflation Rate YoY AUG	2.9%	2.6%
Thursday Sept 12 2024	ECB Interest Rate Decision	4.25%	4.0%
Wednesday Sept 18 2024	Fed Interest Rate Decision	5.5%	5.0%
Friday Sept 20 2024	BoJ Interest Rate Decision	0.25%	0.25
Thursday Sept 26 2024	US Durable Goods Orders MoM AUG	9.9%	-2.2%

UK	31-Aug-24	31-Dec-23
FTSE 100	8,376.63	7,733
FTSE 100 % YTD	8.32%	
BoE Interest Rate	5.00%	5.25%
Inflation	2.20%	3.90%
Core Inflation	3.30%	5.10%
Govt, 10YR Yield	4.01%	3.54%
Currency	31-Aug-24	31-Dec-23
GBP/USD	1.31	1.27
GBP/EURO	1.19	1.15
EUR/USD	1.10	1.10
Commodity (\$)	31-Aug-24	31-Dec-23
Gold	2,503	2,071
Silver	28.86	24.02
Brent Crude Oil	73.55	71.33
Govt 10YR Bond	31-Aug-24	31-Dec-23
US	3.91	3.88
Japan (JGB)	0.89	0.63
Germany (Bund)	2.29	2.00
Italy (BTP)	3.69	3.70
Global Markets	31-Aug-24	31-Dec-23
Dow Jones	41,563	37,690
S&P 500	5,648	4,770
Nasdaq 100	18,907	15,011
Dax	7,631	16,751
CAC	38,648	7,543
Nikkei 225	2,842	33,464
Shanghai	82,366	2,975
Sensex	25,236	72,240
Nifty 50	24,011	21,731

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