CLIENT UPDATE

KING FINANCIAL PLANNING
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Dear all,

I started my last update in July with the word wow! I have to say I would use this again. Since July things have moved on in many respects, unfortunately not all for the good. Stock markets have fallen further around the world, the war in the Ukraine continues to cause huge issues and of course we now have a new Prime Minister!

So, to put some numbers on the year so far, as at 3 October 2022 the US market (S&P 500) is down 25.25%, the Euro stoxx 50 (top 50 shares in Europe) is down 23.8% and the FTSE 100 is down 8.6%. As you can see, the UK stock market has held up relatively well compared to other major markets. This is a due to, as previously discussed, the FTSE 100 major holdings being a lot of oil and gas and bank stocks which have done ok, plus approximately 80% of the FTSE 100 companies actually have earnings overseas, therefore this negates many of the issues we have in our economy at present.

All of this means that your investments have fallen in the last few months. For the first nine months of year to the end of September according to ARC, which are one of the benchmarks we use, the average cautious portfolio in the UK had fallen by 11.4%, the balanced sector had fallen by 13.1% and the equity sector (which is portfolios with 80% Equity or above) by 16%.

Some positive news as mentioned in my previous update is that certain prices are slowly coming down. Everyone would have seen that the price of petrol is now falling and the costs of food and other essential products are now stabilising. We have seen China start to ramp up their output to the world which will help with long-term inflation.

At present inflation is being fueled by a lack of supply and of course by high energy prices due to the war in the Ukraine. The Bank of England are also doing their bit to try to reduce inflation by putting interest rates up, hoping to stop people spending quite so much. This to me is a very dangerous game in that it could push us into a place where people stop spending completely on certain items including moving home and we end up in some form of recession. So, this is a fine line the Bank of England and indeed the Government are treading. Of course, inflation isn't just a UK problem, in fact if you look at Europe at the moment, they have a higher rate of inflation than us.

As previously mentioned, there are some positives out there. We will see further interest rate rises. Personally, I do not see them getting to the 6% base rate that has been predicted by various economists (who are nearly always wrong) in the press, but we will definitely go higher and the government packages recently announced really do not help this issue.

From an investment perspective, stock markets are low and if you take a long-term view, actually now may be a decent time to invest. I'm not saying we are at the bottom because nobody has a clue about that, but historically markets have always bounced back strongly once they do hit the bottom. Hopefully we are not far away from that situation and if you have money that you can invest for the longer term, now seems a good time to do so which I appreciate seems a strange thing to say with all of the doom and gloom around us. For your existing investments this year has been turbulent having seen both equity markets and the bond markets (normally the safer stuff) both fall together.

If you have any questions on the economy, stock markets or your personal situation, please feel free to contact me.

James