

2021 2022 2023 2024 2025



# CLIENT UPDATE

KING FINANCIAL PLANNING  
JANUARY 2023

## A NEW YEAR, SAME PROBLEMS OR MAYBE NOT?

Dear all,

Firstly, Happy New Year to you. Let's hope that 2023 brings us more joy than 2022. From a stock market perspective, 2022 was one of the worst we have seen for quite a while. Indeed, it was not just equity markets that suffered, due to the significant interest rate rises that came about quite quickly, we also saw the bond markets fall and investors that felt their money was protected, were not. It is a very rare event to see both equity markets and bond markets falling so significantly at the same time.

So, to recap on markets last year, we saw the S&P 500 fall by 19%, the European top 50 stocks (Euro Stoxx 50) fall by 10% and the Shanghai Composite Index (Chinese broad market) down just under 15%, this is despite rallies in the markets at the end of the year. Looking at the bond market we also saw the value of UK gilts fall, as an example the 10-year gilts value was down by 17% in 2022.

As mentioned in previous updates, the UK stock market performed relatively well compared to the rest of the world. The FTSE 100 was actually up 1% in 2022. This compared to the FTSE 250 (Companies 101 to 350 by Market Cap.) which fell by 20%. The FTSE 100 was bolstered by the fact that a lot of its earnings are produced overseas and therefore the pound falling so much in 2022 has helped many companies based in the UK. We are also very reliant in the FTSE 100 on old school stocks (as I describe them) such as oil companies (BP and Shell) the banks and pharmaceuticals, these have all held up well. Sadly the UK market has done well recently not because it's a dynamic market that was at the forefront of the world economies, but because it wasn't!

The past is the past and there is little we can do about that. You'll see economists pouring over the numbers, making forecasts for the future, most of which will be wrong. Last year we had Andrew Bailey the head of the Bank of England saying that we could be in recession for years to come and that interest rates could hit 6%. I suspect neither of these will be true. It is likely that the UK base rate will rise to around 4% to 4.5%, with the current rate at 3.5%. This has been factored into most markets including bond funds which this year should provide positive returns, having taken such a hit last year.

If, as we expect inflation starts to fall in the coming months, (we are already seeing the price of gas falling significantly from its highs at the beginning of the Ukraine/Russian war) then there may be more confidence for investors in equity markets around the world. We will see big headlines of recession in the press, but this doesn't correlate with how equity markets perform. They are looking at what the world looks like in 6 months, 12 months or even 2 years' time. So I am far more optimistic today than I was 6 months ago that we will see positive returns in 2023, caveated by the fact that I have no idea what will happen tomorrow!

One other subject which will be close to everybody's hearts is property. Every estimate I have seen looks at residential property prices falling between 5 to 10%. However you have to remember that this is just an average across the UK. It will be very different depending on the region that you are living in, but I think 2023 will see falls in property prices before they start to pick up. The Bank of England by putting rates up actually has some cards to play in the future, which could mean rates actually coming down in a year or so's time, this could once again fuel property prices and a movement forward.

So my conclusion is despite the doom and gloom on the television and in the newspapers, 2023 should be a little better than we had last year for investors. As ever if you have any questions on your own personal circumstances or markets in general feel free to contact me or the team.

*James*