



CLIENT UPDATE

KING FINANCIAL PLANNING
JANUARY 2024

Dear all,

Firstly, Happy New Year to you if it is not too late to say so. I've been looking back at my client update this time last year and I'm pleased to say that large parts of what I thought would happen did happen. Stock markets over the 12 months have been largely positive. We have seen the bond markets return to stability and inflation falling from some of its highest level for over 30 years with more falls to come.

I wrote this time last year that my conclusion was that despite the doom and gloom on the television and in the newspapers, 2023 should be a little better than was seen for investors from the previous year. This has largely been proven to be true and barring external factors that we don't know about; I believe 2024 should prove to be a positive one for investors across both Equity and Bond markets.

Of course, all markets are different, so to give you a few examples, over the last 12 months we saw the US market (which was down nearly 20% in 2022) increase in value by approximately 23%, this was very much fueled by the 7 big tech stocks (Apple, Microsoft etc.). This compares to the UK market which was up 3%. On the negative side Chinese equities fell just over 3% over the last 12 months.

Looking at currencies, the pound strengthened last year and was up over 5% against the dollar and 2% against the euro. This has a negative effect on any investment valuations in these currencies as when you convert say dollars into pounds for example, you get less pounds per dollar, so the valuation falls. The only major currency we fell against was the Swiss franc which would have very little impact on our investments.

With regard to interest rates and inflation moving forward. As previously mentioned, inflation continues to fall largely due to energy prices and the effect of higher interest rates. We have seen consumers not quite spending as much, not moving house and companies not employing as many people. This I believe will continue to bring inflation down in the short to medium term. This should therefore bring about a reduction in interest rates around the world with the US probably reducing their rates first with the UK following at some point towards the middle of 2024. Mortgage rates and long-term savings rates are already starting to factor in these moves. Recently 5-year mortgage rates fell quite substantially. This I believe will start to mean the housing market starts to move forward once more.

Despite some positive returns from markets especially in the last two months, some of the managers that look after our money have not performed as well as we would have liked. I along with others have been looking at alternative investment managers and are now starting to move money away to new Investment managers. The main change will be to transfer away from Titan who look after some of the King Financial Planning model portfolios. Over the next few weeks I will contact you with more information on this.

On an alternative planning note, we are now in January so have three months left until the end of the tax year. With the limits on pension contributions having changed and tax relief still a very important part of overall planning, if you're looking to save money and get tax relief on your investments then pensions, VCT's (for those happy to take slightly more risk than normal) and of course ISAs are important tax wrappers to use before April.

Finally, an update on our team, from 1 April Jacqueline will reduce her hours to 2 days a week. This has meant to maintain the high service levels we believe we provide and to keep up with the continued pressure on us from the regulator, we have recruited a new administrator who starts with us this week. Our new team member is Ewa Nowakowska, so if you see any emails from Ewa please say hello.

As ever if you have any queries, please do not hesitate to contact me or any member of our team.

James