RT FP

RT FINANCIAL PLANNERS LTD

Investment and Economic Update October 2023

At the risk of repetition I have to say that it continues to be a difficult time for investors, a situation that has continued for close to two years. Since the end of 2021, investment conditions have proved exceptionally difficult for anyone in real assets, such as equities and bonds. The reality is that more cautious investment funds have fared equally as badly, but I shall come on to that in due course.

September is rarely a great month for investors, and last month proved no exception. Broadly, both equities and bond values declined and there is increasing sentiment that the 2023 market recovery is running out of steam or may even be turning. This may seem surprising to investors as earnings have been more resilient than many economists had thought possible. In the summer things began to appear to be a little more positive in the markets than perhaps had been expected, as global stockmarkets had begun to rally a little in the second quarter of 2023. This did help to make up some ground from a terrible 2022, but unfortunately things have not really improved much since then.

Some expectation that China was coming out of lockdown and that spending would boost global economies has had less impact than was expected. Sentiment in China is largely driven by the property market, as buoyancy means wealth is perceived to be greater, but this has been suppressed, as property prices have been depressed and central government to date has not given any meaningful responses, but we are hopeful they will introduce more stimulation. The US, however, has been more resilient than forecasted and continues to confound expectations.

It remains fairly uncertain as to whether global economies will just see a soft landing, with inflation continuing to drop back (although oil prices having increased in recent times will not have helped that position) or whether more interest rate rises may be needed to control inflation. Recession still remains a possibility – and perhaps more so in the UK than in other global markets.

While we are reasonably hopeful of a fairly soft landing, other scenarios do have to be factored into thinking and into portfolio construction, and caution needs to be exercised in selection of the underlying funds and assets. It is tempting to be more aggressive with investments but some protection needs continually to be built in, to both the portfolios and our advice.

It remains very unfortunate, as I touched on earlier, how more cautious assets have been affected as much as any others. I have provided below figures for one and two years to the end of September 2023 and these highlight how global markets have been affected horribly over this time, as well as how cautious assets such as corporate bonds and mixed-asset funds have shown negative returns – and quite significant drops – over this period.

Index	**1 year to 30th September 2023**	**2 years to 30th September 2023**
AFI Cautious	+3.53%	-7.08%
AFI Balanced	+3.18%	-9.31%
AFI Aggressive	+2.89%	-10.71%
IA Sterling Corporate Bond Sector	+7.89%	-14.98%
FTSE All Share (UK)	+14.40%	+8.99%
FTSE All World (ex UK)	+8.14%	+4.50%
FTSE UK Conventional Gilt All Stocks	-1.56%	-25.67%

The bad news therefore remains in place for balanced and more cautious portfolios, but we do believe that there is a little light at the end of the tunnel, and having sat through these difficult times our advice remains that we need to focus very strongly on the longer term and must not focus on short-term falls. We always advise investing for the long term and as such this is what we need to consider.

We also need to consider that the price of assets such as bonds and shares may well have already factored in much of the bad news at this stage and there may be more positive moves on the horizon, leading to potentially sharper increases in values.