RT FINANCIAL PLANNERS LTD

Investment and Economic Update September 2023

It continues to be a difficult time for investors, a situation that has continued for well over a year. 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 worse, but I shall come on to that in due course.

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 taken a backwards step again 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 is unfortunate, as I touched on earlier, how more cautious assets have been affected more than any others. I have again provided below figures for the year to the end of August 2023 as well as for the period from the beginning of 2022 to the end of August this year, as this highlights not only how global markets have been affected horribly over this time but also 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 31st August 2023	1st January 2022 to 31st August 2023
AFI Cautious	-0.02%	-8.62%
AFI Balanced	-0.24%	-10.40%
AFI Aggressive	+0.46%	-11.52%
IA Sterling Corporate Bond Sector	-0.38%	-14.93%
FTSE All Share (UK)	+7.31%	+3.01%
FTSE All World (ex UK)	+4.44%	+0.36%
FTSE UK Conventional Gilt All Stocks	-8.35%	-26.25%

The bad news therefore remains in place for balanced and more cautious portfolios, but 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, no matter what is happening in global markets, 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.