



The Premier Partnership Limited
Your Family Office

Reality Check

Markets have begun the year in a relatively buoyant mood, so it is only natural that the recent retracement of stock market gains highlights the uncertain path currently of interest rates and inflation. In Europe on Wednesday 1 March, German inflation figures came in hotter than expected, which pushed investors to believe the European Central Bank will have to push interest rates higher than initially thought. The same sort of hawkish language has been used by The Bank of England and The Federal Reserve in America over the last fortnight. So, is it further than we initially thought for interest rates? Possibly.

We have known the parameters of the potential rate rises since late 2022, and markets are now pricing in a Federal Reserve rate of 5.5%, which is at the top end of those preliminary forecasts. Similarly The Bank England indicated 4.5% initially, and it looks like that outer estimate could also now be reached.

After a challenging 2022, there has been a sharp rebound in investment markets, with institutional investors generally taking a more bullish view of the world going forward. Was this just a FOMO (Fear of missing out) rally? Again, possibly.

The reopening of China's trade routes is also seen by some as potentially inflationary. China's reopening is actually a much needed bright spot for global markets, but in terms of inflation, increased trade adds cyclical upside pressure, because of the sheer amount of pent up demand there is in world economies post pandemic.

Markets have entered a more cautionary 'wait and see' position, after retracing some 3-5% during February. Since the beginning of the year, many markets are still holding gains, despite February's decline. The FTSE 100 after reaching new all time trading highs, is still up over 6% since 1 January and the S+P 500 is up almost 3%.

So all is not lost, and we see these recent setbacks as more of a reality check on current geopolitical positioning, than the re-enactment of the woes of 2022. There were also technical reasons to do with the options markets as to why February was a poor performance month, and those positions have now unwound.



Investment REPORT

The recent economic data published from major economies, means that the stock market perceptions of earlier than expected rate cuts was misplaced, to be replaced by potential rate rises, and the surprising resilience of European and global economies does tilt inflation forecasts to the upside again.

So, at the moment, markets are precariously positioned - still slightly up on the year - but subject to sensitivity to inflationary changes, which the Central Banks consider to be the only game in town at present.

All in all, inflation risks remain, monetary policy paths are uncertain, and recession may be needed to quell inflation and bring Central Bank targets back to the long term 2% they desire. Expect volatility in markets during March as this plays out.

Happy St David's Day, and if you want a treat, listen to Bryn Terfel singing Calon Lan - truly awesome.

Until Next Time

Global Stock Market Performance 2023

Market	Index	30 December 2022	28 February 2023	Percentage Performance Year to date
USA	Dow Jones	33006.97	32714.29	-0.89
	NASDAQ	10397.46	11480.22	+10.41
	S&P 500	3822.23	3979.15	+4.11
UK	FTSE 100	7451.74	7876.28	+5.70
France	CAC 40	6504.22	7267.93	+11.74
Germany	Xetra Dax	13923.59	15365.14	+10.35
Italy	FTSE MIB	23706.96	27478.37	+15.91
Spain	IBEX 35	8229.10	9394.60	+14.16
Switzerland	SMI	10729.40	11098.35	+3.44
Japan	Nikkei 225	26094.50	27445.56	+5.18
Hong Kong	Hang Seng	19781.41	19785.94	+0.02
China	Shanghai Composite	3089.26	3279.61	+6.16
India	Sensex 30	60840.74	58962.12	-3.09

Data provided by Morningstar

MSCI WMA Private Investor Index Series Values

Capital Performance	28 February 2023	% Change During:		
Index Category/Level	Index Value	3 months	12 months	5 years
Global Growth	2906.041	3.50	2.36	8.87
Balanced	2681.543	3.05	-1.32	4.24
Income	2460.574	2.70	-2.28	3.54
Conservative	1734.962	1.93	-6.19	1.98
Growth	2936.714	3.55	1.53	5.70

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