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MARKET UPDATE

Q3 2023

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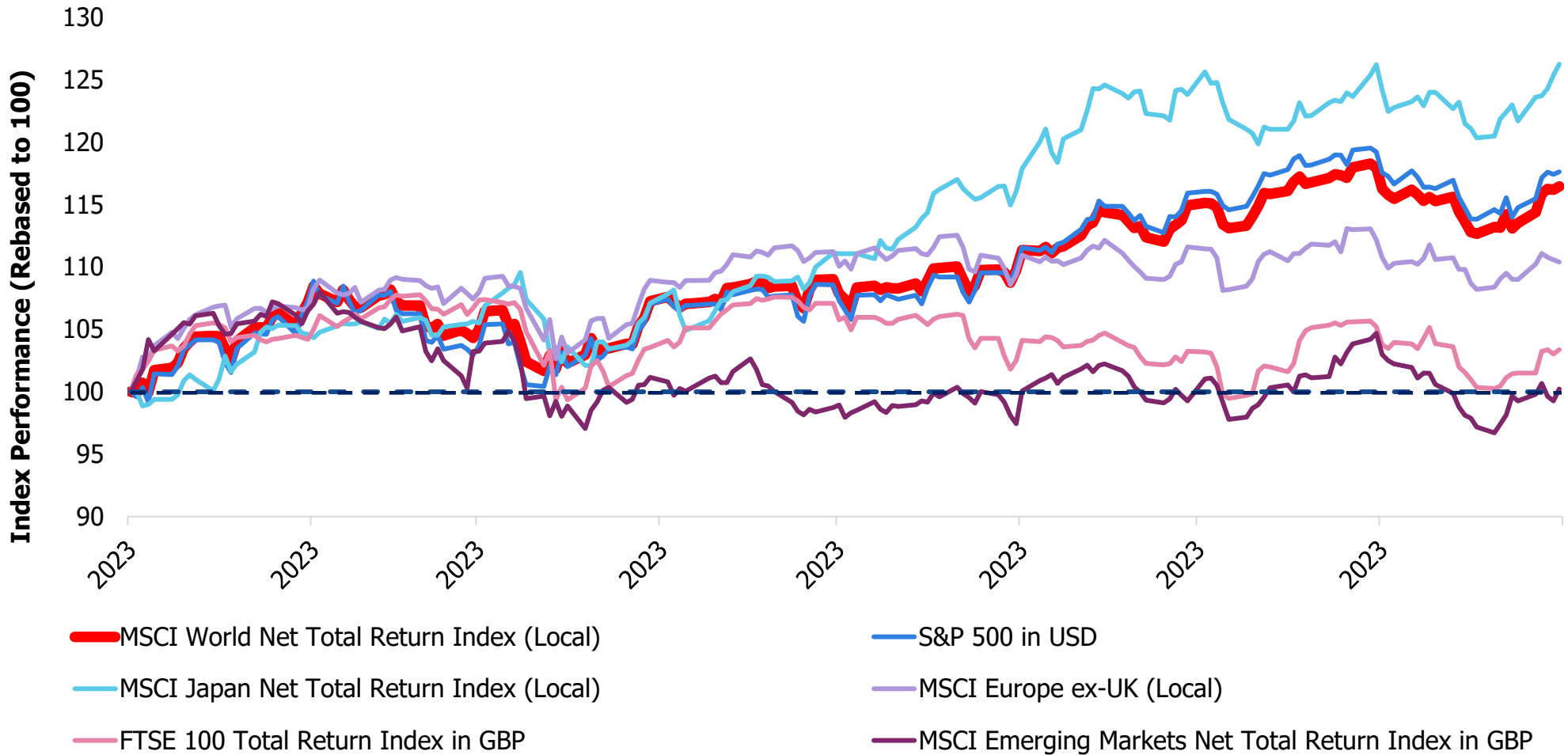
EQUITY MARKETS

A NEW BULL MARKET?



A STRONG YEAR FOR EQUITY MARKETS...

Global Equity Markets

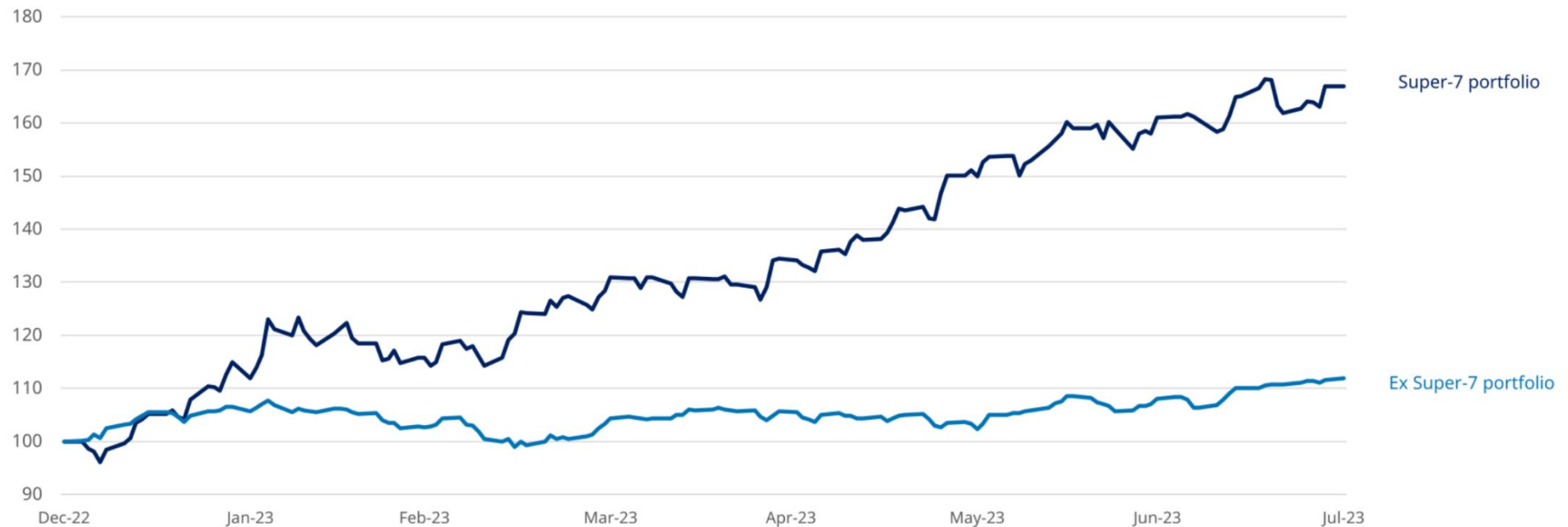


Sources: Bloomberg, ICE (to 1st September 2023)

...LED BY ENTHUSIASM FOR AI

The rest of the world has been left in their wake

Performance of Super-7 vs MSCI ACWI ex-Super-7, rebased to 100



Past performance is not a guide to future performance and may not be repeated.

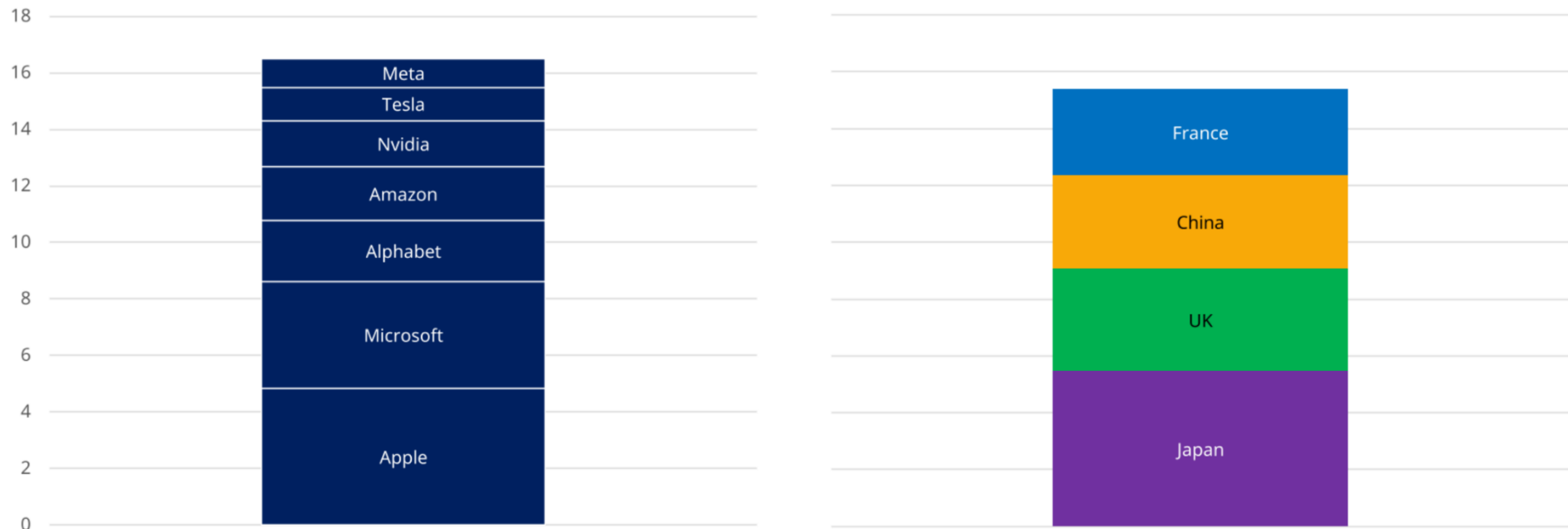
Super-7 portfolio is portfolio of seven largest companies in MSCI USA by free float market capitalisation. These are Apple, Microsoft, Alphabet (Google), Amazon, Nvidia, Tesla, Meta (Facebook). Ex Super-7 is a portfolio of the remaining constituents of MSCI ACWI. Data to 31 July 2023. Source: Refinitiv, Schroders. Please see relevant disclaimers on slide 40

Source: Schroders (to 31st July)

AN INCREASINGLY CONCENTRATED MARKET

The Super-7 US stocks now make up more of MSCI ACWI than Japan, UK, China and France combined

Weight in MSCI ACWI



Past performance is not a guide to future performance and may not be repeated.
Data as at 31 July 2023. Source: Refinitiv, Schroders. Please see relevant disclaimers on slide 40

Source: Schroders (to 31st July)

INFLATION AND INTEREST RATES

INFLATION CONTINUES TO DOMINATE THE HEADLINES

MATT

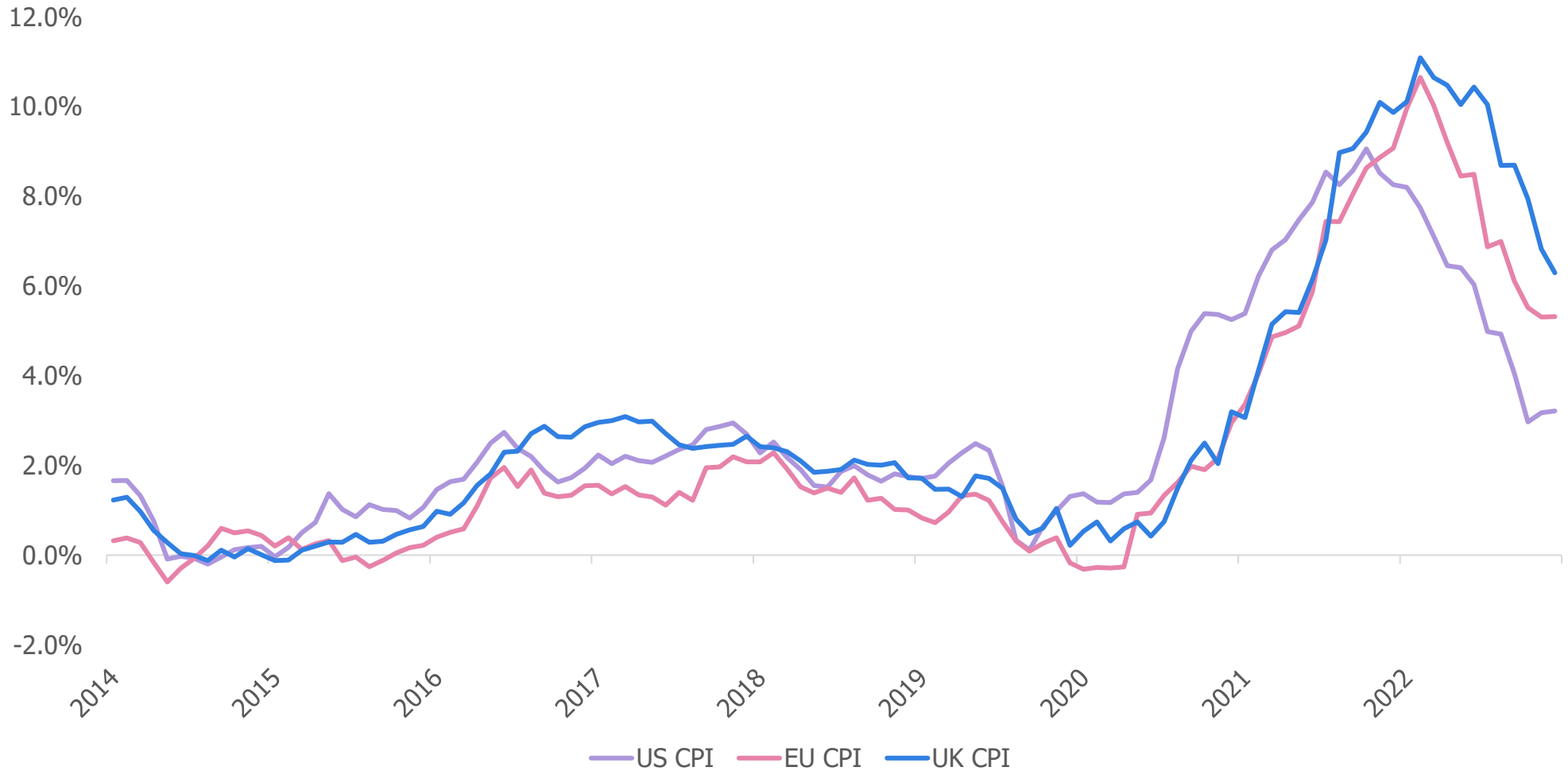


'The Chancellor said if inflation didn't come down soon he would challenge the Bank of England Governor to a cage fight'

Source: Telegraph.co.uk

INFLATION CONTINUING TO EASE

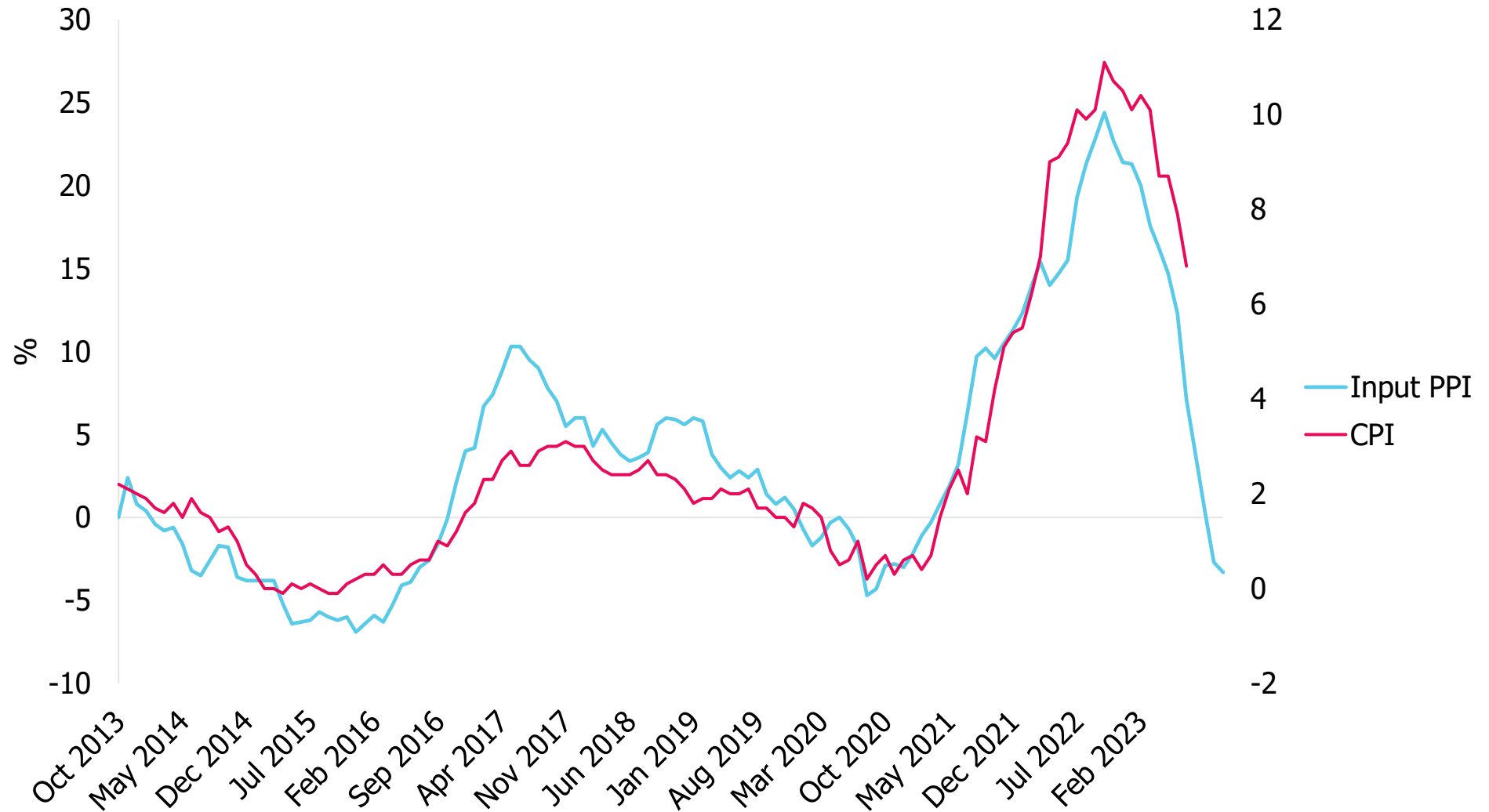
Inflation - US, UK, Eurozone



Sources: Bloomberg, ICE (to 31st August 2023)

UK INFLATION – POSITIVE SIGNS...

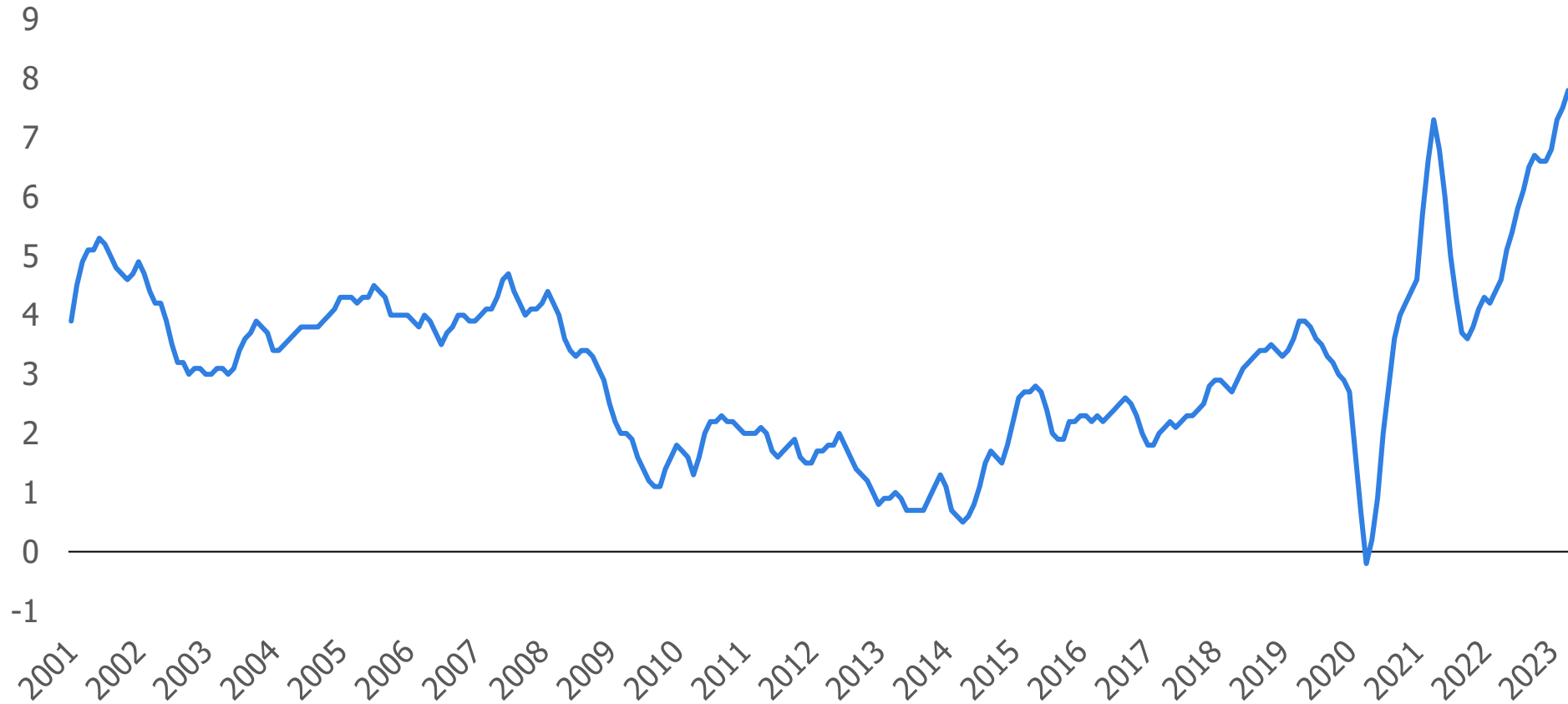
UK CPI vs Input PPI (4 months lagged)



Source: ONS (to 31 July 2023)

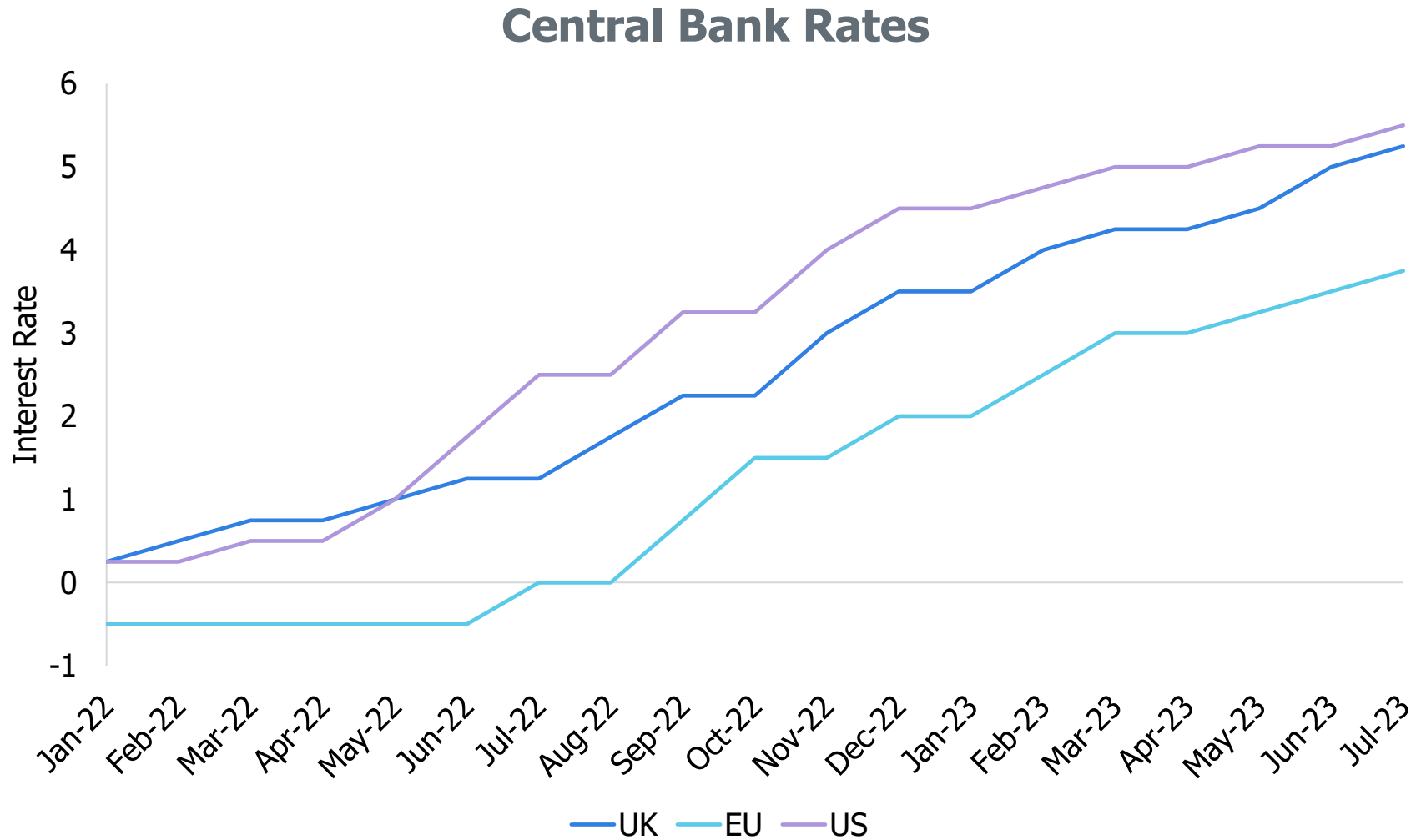
...BUT WAGE GROWTH REMAINS A CONCERN

Regular Pay (% Growth)



Source: ONS

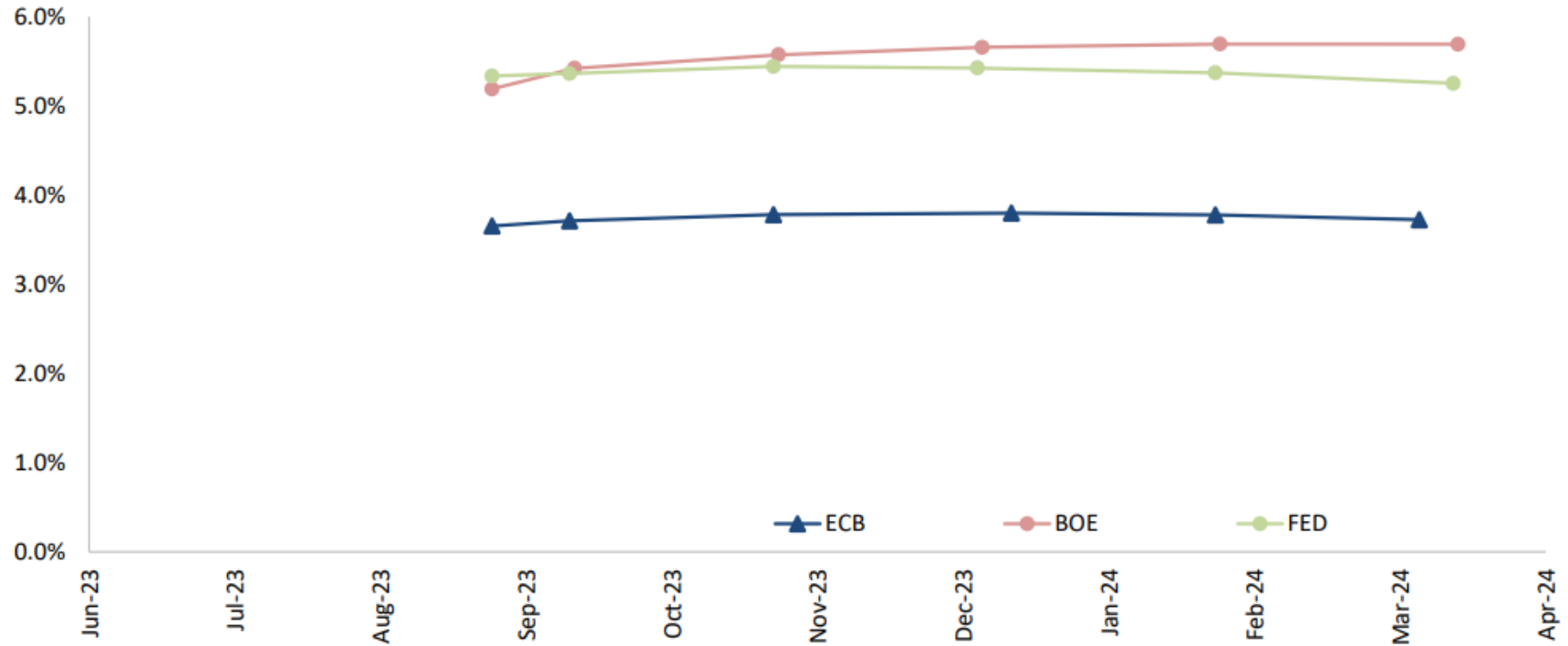
CENTRAL BANK TIGHTENING COMING TO AN END...



Source: ECB, BoE, Fed (data as at 1st September 2023)

...BUT TIGHTER FOR LONGER IN THE UK

Fig 7. BoE, Fed and ECB implied base rate

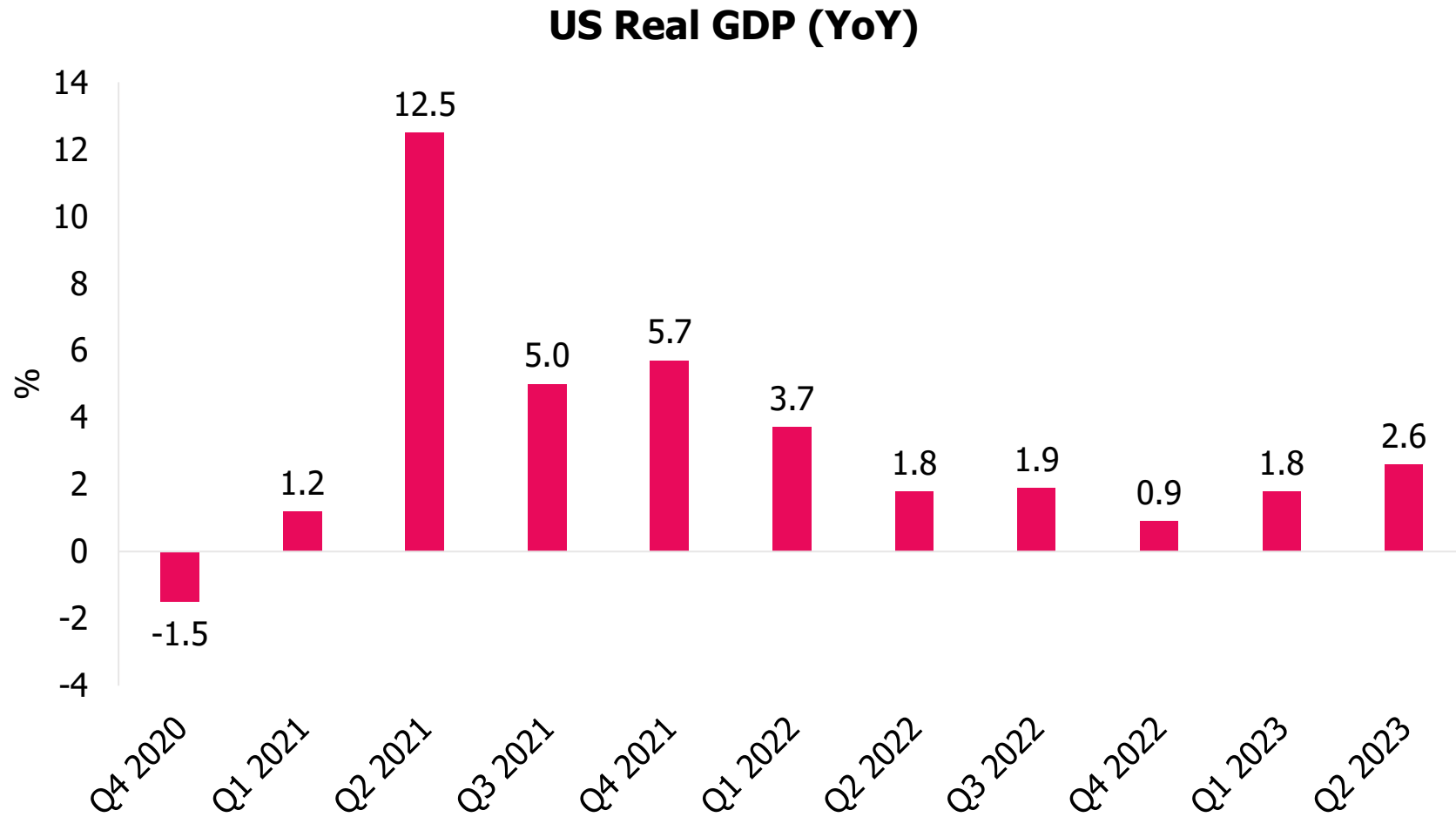


Source: Citi

As at 1st September 2023

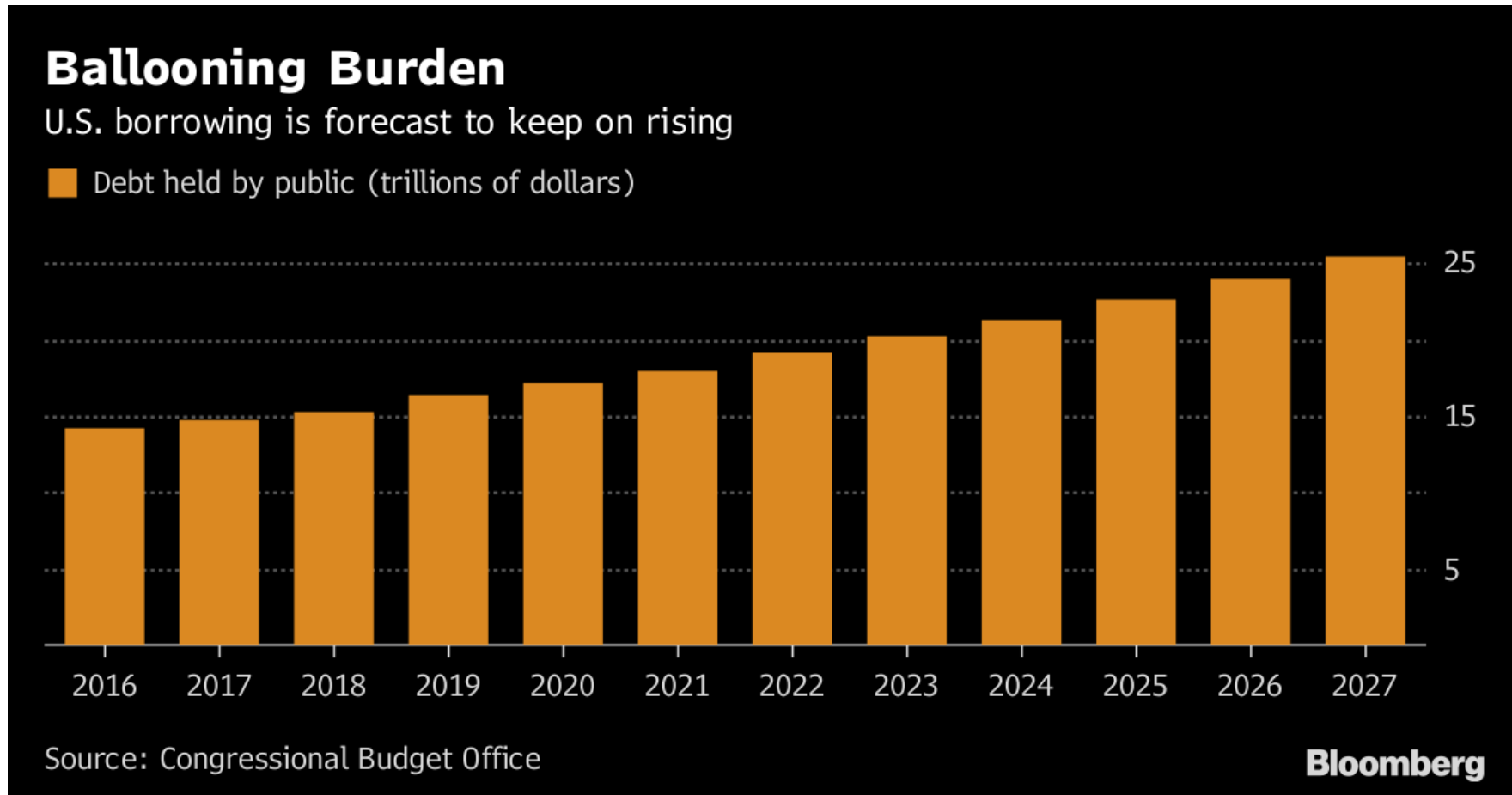
THE US ECONOMY – SOFT LANDING?

US ECONOMY REMAINING RESILIENT...



Source: St Louis Fed

ROOM FOR FURTHER FISCAL STIMULUS LIMITED



US LEAVING THE TRIPLE A CLUB

	Fitch	Standard & Poors	Moody's
Germany	AAA	AAA	Aaa
Denmark	AAA	AAA	Aaa
Netherlands	AAA	AAA	Aaa
Sweden	AAA	AAA	Aaa
Norway	AAA	AAA	Aaa
Switzerland	AAA	AAA	Aaa
Luxembourg	AAA	AAA	Aaa
Singapore	AAA	AAA	Aaa
Australia	AAA	AAA	Aaa
US	AA+	AA+	Aaa

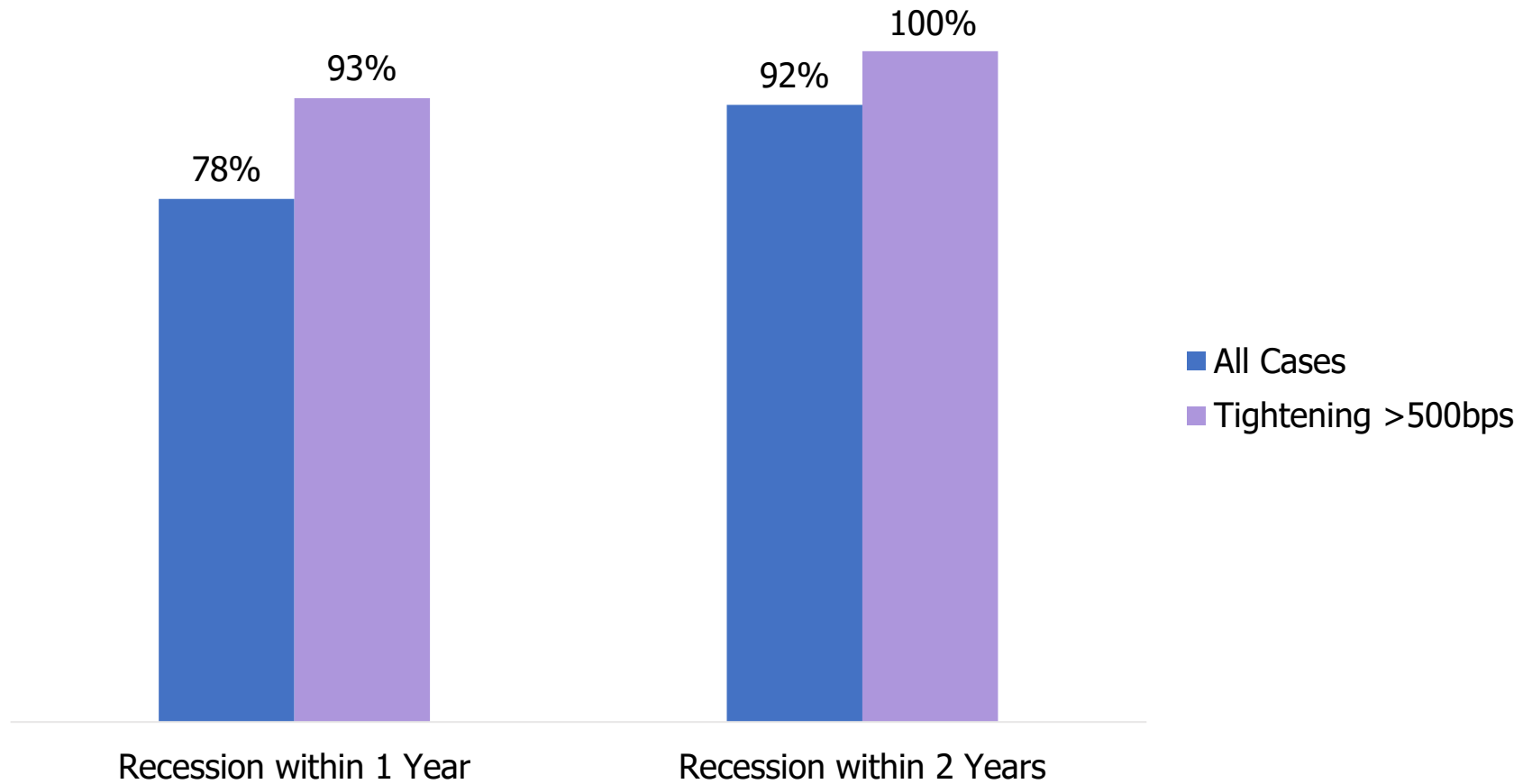
Source: Bloomberg
Note: Local currency long-term rating

Bloomberg



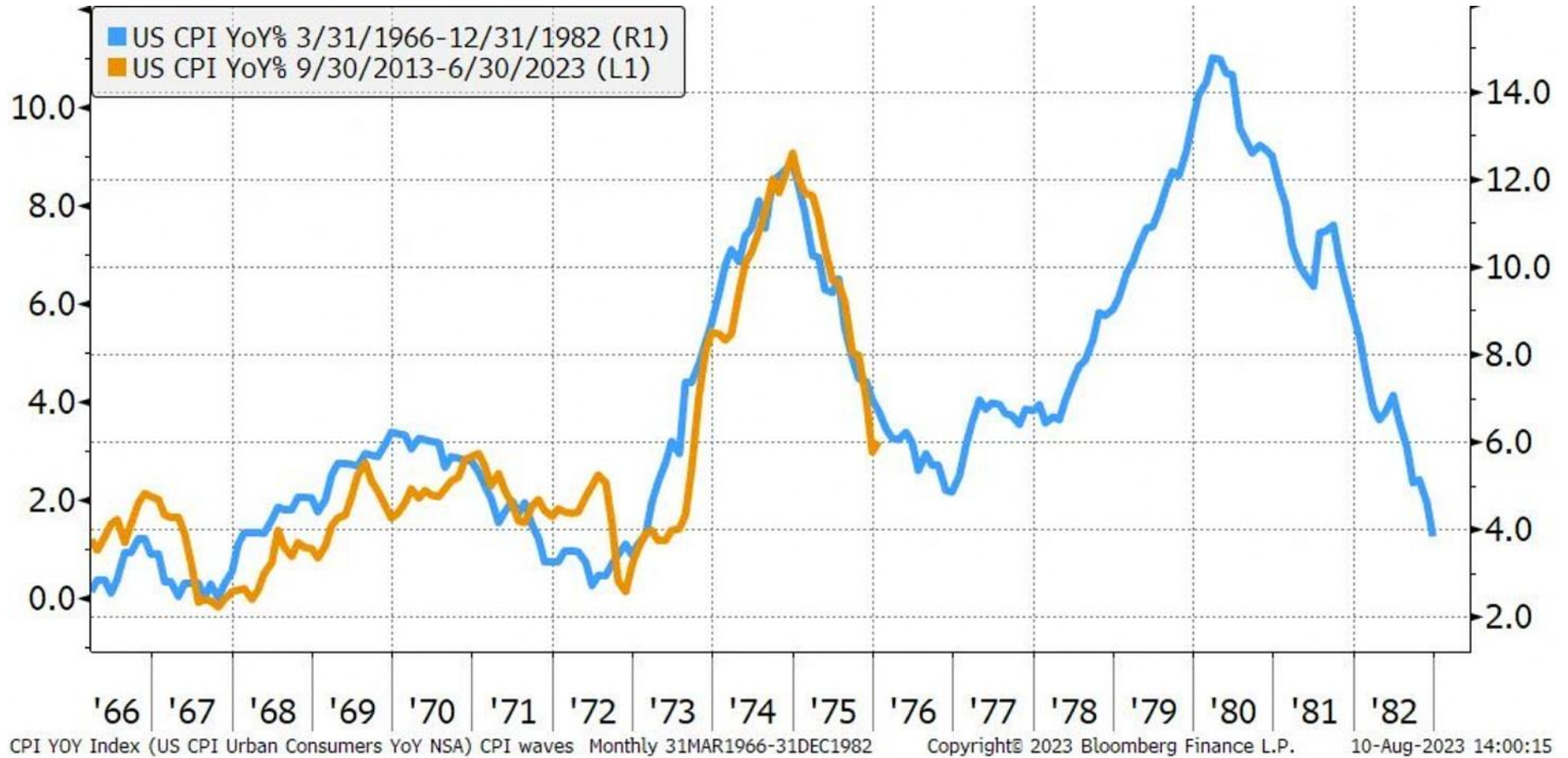
RECESSION AVOIDED OR DELAYED?

US Recession Incidence after Fed Tightening



Source: Bridgewater

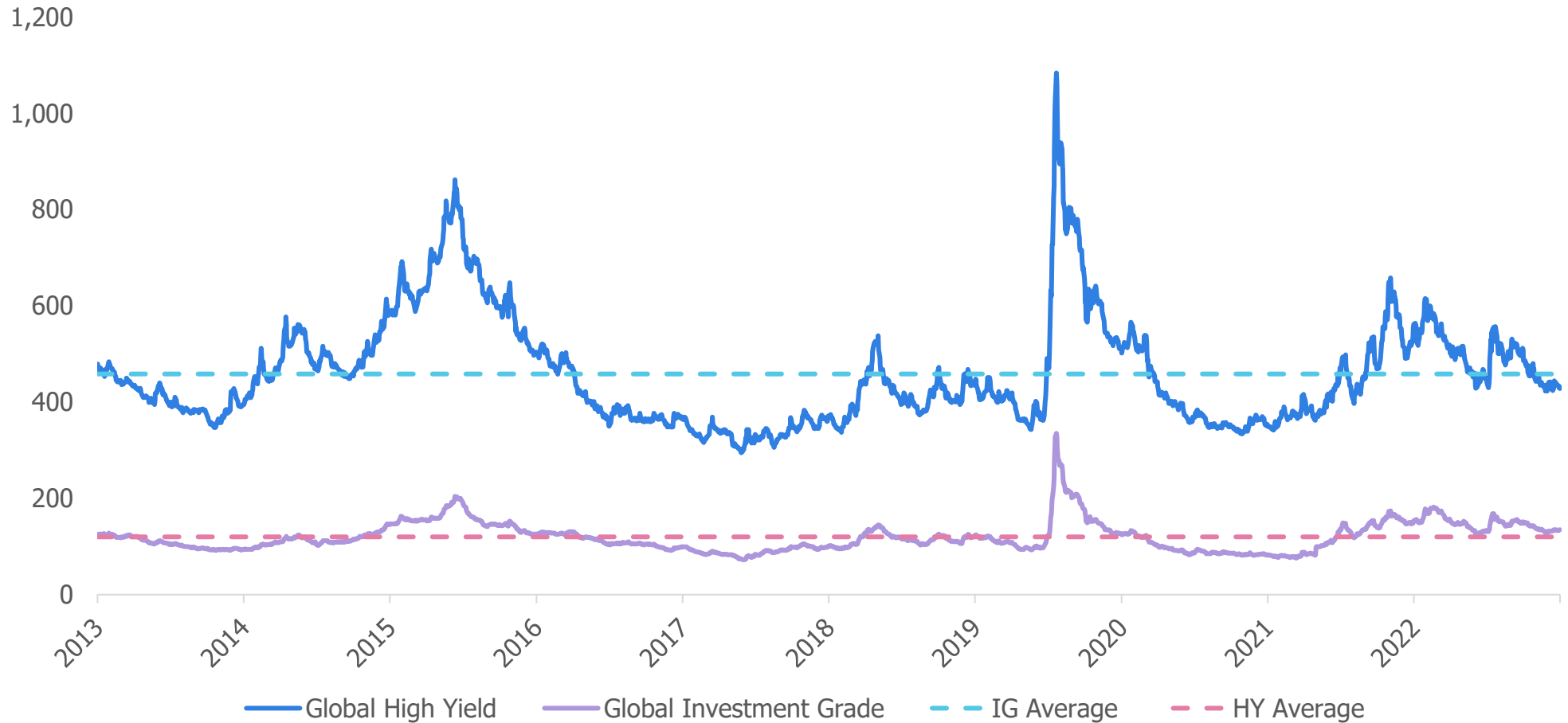
FED REMAINS CONCERNED ABOUT A SECOND PEAK



FIXED INCOME MARKETS

CREDIT SPREADS CLOSE TO LONG TERM AVERAGES

Credit Spreads - Global IG, HY



Source: ICE/BofA (to 1st September 2023)

GOVERNMENT BOND YIELDS RESUME THEIR UPWARD TREND

30Y Nominal Yields - US, UK, EU, Japan



Source: Bloomberg (to 1st September 2023)

LONG-TERM INFLATION EXPECTATIONS REMAIN ANCHORED

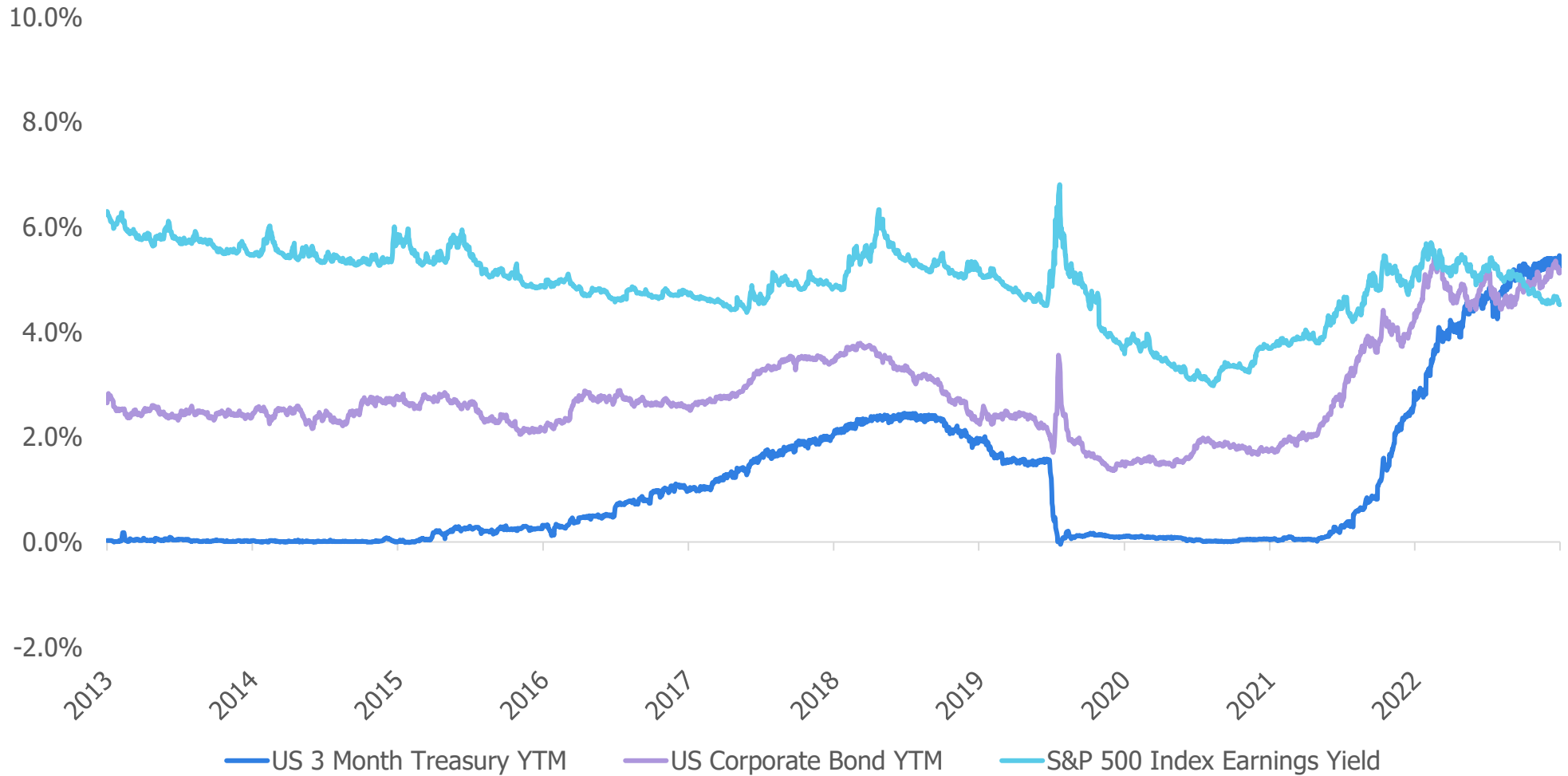
30Y Gilt Breakeven Inflation



Source: Bloomberg (to 1st September 2023)

CASH IS NO LONGER TRASH

Yields on US Cash, Bonds, Equities



Source: Bloomberg (to INSERT DATE)

KEY TAKEAWAYS

KEY TAKEAWAYS

- Equities have had a strong run in 2023 but gains have been narrow – is AI-led boom sustainable?
- Sharp falls in inflation and resilient US consumer have raised hopes that Fed can engineer a rare soft landing.
- More mixed outlook in other major economies with both recession and “sticky” inflation remaining concerns.
- Relatively attractive returns on cash could be a headwind for both equities and bonds -> diversification remains key.

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