Market Outlook

June 2023

After losing ground throughout most of last month, Sterling started June by gaining against both the USD dollar and the €uro. In particular, the €uro has not been in the 1.17 range for some time which bodes well for all those looking for ‘les vacances’ across the English Channel. The FTSE 100 Share Index also managed to demonstrate some holiday spirit by picking up a little after a pretty dire May in which it fell away sharply towards the end of the month.

The announcement by Saudi Arabia that it intends to cut its oil output initially boosted the oil price, but it should be remembered that currently worldwide supplies are buoyant as we are now out of the winter quarter and demand over the summer will be reduced. Other members of the Organisation of Petroleum Exporting Countries (OPEC) also agreed to cut production, but this is to help shore up flagging energy prices amid fears of recessionary worries in Europe and the USA. It is worth reminding ourselves that last June the price of Brent Crude traded between $109 to over $120 per barrel which compares sharply with this year’s range for June which was $72 to $78 per barrel.

The Treasury announced that the Energy Profits Levy (Windfall Tax) will end if the average price of oil and gas prices fall to, or below, a set level for two consecutive three month periods. The level set for oil is $71.40 per barrel and gas £0.54 per therm. Failure to meet these conditions and the Levy will stay in place until March 2028. Halting the Windfall Tax would have a significant outcome for the energy companies as it would cut the overall tax rate on energy firms from 75% to 40%.

After losing ground throughout most of last month, Sterling started June by Confirmation this month that our European neighbours are in recession flew in the face of market commentators early this year. Once again highlighting the danger of making predictions. Grocery items remain one of the main causes for inflation with staple products bearing the strain. Whilst energy prices look likely to remain subdued thanks to warmer weather, the reverse applies to food products such as wheat, pasta etc which will take longer to fall to pre-Ukrainian invasion levels.

Ahead of the Bank of England's (BOE) interest rate policy meeting banks started pulling mortgage offers as inflation data pointed towards another hike in interest rates. The BOE use of interest rates hikes to curb inflation is a blunt tool intended to curb spending. With inflationary pressures coming from basic food essentials rather than imported white goods, it is hard to see how this policy is going to work as those with variable mortgages await another hike in their monthly expenditure, those looking to get on the property ladder see that dream drift further away and those in the rented sector expect higher rents as buy to let mortgages reflect higher interest rates.

Whilst inflation is expected to reduce further over the remainder of the summer, interest rates are unlikely to fall as quick. The Bank of England will want to be sure that inflationary pressures are not going to return before bringing some much-needed relief to the property sector.

Outlook by Asset Class/Region

Asset/Region	View
Cash	Positive
Government Bonds	Positive
Credit Fixed Income	Neutral
Property	Neutral
UK Equity	Positive
US	Positive
Emerging	Negative
Asia	Neutral
Commodities	Neutral
Alternatives	Neutral
Technology	Positive

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Important information

Pensions are a long term commitment, you may not be able to access your pension funds until the age of 55 (currently), investments can go down as well as up and you might not get back your initial capital. Pension and tax legislation does and can change in the future which could impact your pension.#

Please note: The Financial Conduct Authority does not regulate tax planning.

As a mortgage is secured against your property it may be repossessed if you do not keep up the mortgage repayments.

The value of your investment and any income from it could fall or rise, and you may not get back the full amount you invest.

Past performance is not a reliable indicator of future results. We always recommend you talk to a qualified financial adviser before making any investment decisions.

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Reeves Investment Services part of Reeves Group
Park View House, Benton, Newcastle Upon Tyne, NE7 7TZ

Tel: 0800 989 0029

Email: investments@reevesifa.com