Market Outlook

April 2023

After February's record-breaking rally which pushed the FTSE 100 Share Index above 8,000 for the first time, March started off on a more subdued note. Comments by the Governor of the Bank of England, Andrew Bailey, on the first of the month suggesting it was too soon to dismiss further interest rate rises to curb inflation caused unease over fears for the direction of mortgage rates. The main UK share index retreated as similar news from the US Federal Reserve dampened the euphoria of last month.

The collapse of Silicon Vally Bank (SVB) in the USA initially sparked fears in our own banking system but the government was quick to act with regard to the SVB UK operation. A deal was quickly put together and HSBC bought the technology bank for a £1. Initial comments about another 2008 banking crisis made for sensational headlines but betrayed the truth, this was a much more localised issue bought about by rising interest rates rather than badly implemented investment strategies such as granting mortgages to those who could not afford them.

The Chancellors budget statement was generally welcomed as it contained positive notes about the health of the UK economy. It followed on from his initial statement when becoming chancellor, of keeping a steady hand on the tiller. However, the news concerning Credit Suisse and its need to strengthen its balance sheet caused ripples in the global banking sector and removed any positive sentiment and pulled the FTSE 100 Share Index down in one of the sharpest corrections seen in years.

The subsequent takeover of Credit Suisse by Union Bank of Switzerland (UBS) has helped to strengthen the banking sector but has raised a number of questions about the strength and effectiveness of the Swiss banking regulators. Credit Suisse has for many years been the subject of poor investment decisions and issues around money laundering. Therefore, for many in the know this has come as no surprise but its longer-term impact may have to do with the reputation of the Swiss financial system as a haven of financial rectitude.

All of this will cause a reaction, as the two biggest drivers of investment sentiment come into play, greed, and fear. In the face of irrational behaviour good will be marked down with the bad. In the words of Warren Buffet, when people get fearful, I get greedy and when people get greedy, I get fearful!

The fallout from this banking crisis will present a number of investment opportunities but expect a bumpy ride. We are transitioning the portfolios over to a new, more challenging backdrop given the newfound correlation between equities and bonds (actually a return to conditions pre 2000). The Reeves portfolios have already begun this transition process and exposures currently mirror those noted above and this will continue through 2023. Not all portfolio managers in the industry will make such changes: some will be wedded to the traditional 60/40 Equity/Bond asset mix, others will try and time the market and some will simply remain in denial until it’s too late. No returns are guaranteed as we all know, but greater swings both up and down can hopefully be mitigated by the more thoughtful approach that Reeves has adopted.

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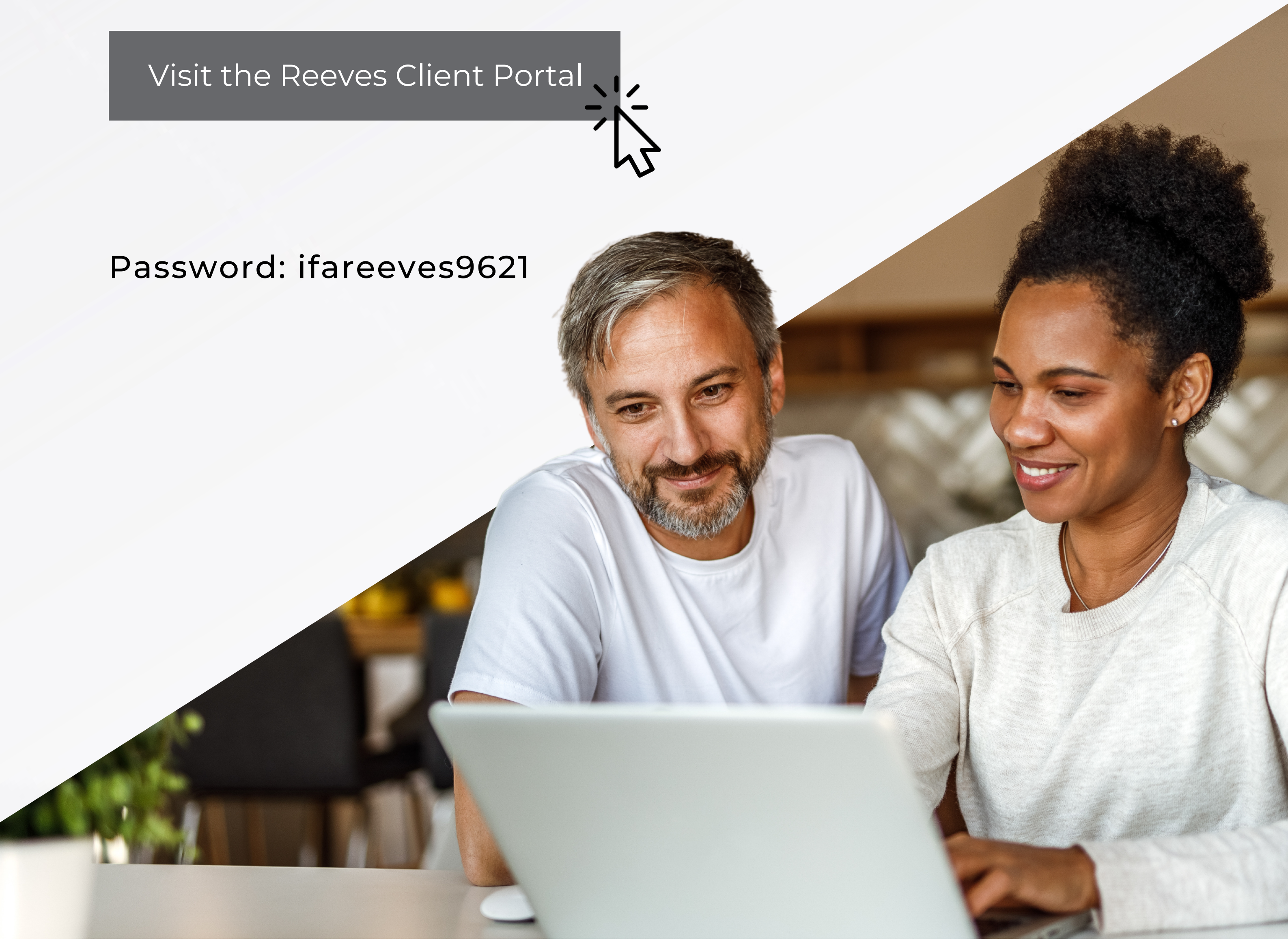

Outlook by Asset Class/Region

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

REEVES INVESTMENT SERVICES

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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