REVIEW OF 2023 – OUTLOOK FOR 2024

The table below sets out the quarterly open and closing values for the FTSE All-Share Index as well as the highs and lows in each quarter to highlight the changes for 2023.

Quarter	Open	Close	High	Low	Return year to date
January – March	4075	4157	4377	4007	2.01%
April - June	4157	4096	4298	4046	0.52%
July - September	4096	4127	4198	3953	1.28%
October - December	4127	4232	4232	3933	3.85%

2023 was initially dominated by the same issues that had depressed returns over the previous two years, i.e. the continuation of the interest rate raising cycle and "sticky" inflation. Central banks continued their stated aim of targeting inflation, which means higher interest rates, which in turn meant that gilts and bonds saw capital values push lower while equities continued to struggle on the back of poor economic data.

In recent weeks this approach changed, with the Federal Reserve chairman signaling to the markets that rates have peaked barring an unforeseen event. When you then add in other Central Banks who paused interest rate increases, markets (which are forward looking) started to assess when the first rate cuts would take place in 2024. All of which is a far more positive background for real assets.

Whilst clearly there is no certainty, markets now are more likely to be driven by the economic data which will be important going forward. The paradox is if the economic data is too strong, interest rates are expected to remain higher for longer, with rate cuts less likely in the first half of the year. However, if the data is too weak, Central Banks are more likely to cut sooner but for reasons of slow or poor economic growth. So, the question is whether Central Banks cut rates because they can or because they must.

While the US market has had a very good year, when looking at the S&P500 seven of the stocks (the "magnificent seven") increased in value by 71% resulting in these stocks now representing almost a third of the index by market capitalisation. In terms of the index as a whole, the remaining 493 stocks increased by 6%.

The UK is still working its way through the aftermath of Brexit, adjusting to skill shortages, stagnant productivity and supply chain factors. At the same time, the economically inactive (which includes students) is 21.1%, along with vacancies that are proving difficult to fill for various reasons. This places the UK in a more challenging environment than many of the developed economies. However, there is likely to be an election towards the end of 2024, which tends to be positive for both markets and the economy with the expectation that, against this backdrop, the Bank of England is expected to cut interest rates at some point in 2024.

For the EuroZone, inflation is coming down quickly, with the rate in October 2023 at 2.9%. This should allow the ECB to signal rate cuts in 2024.

Global growth is expected to be broadly 2.7% in 2024, although this will vary from region to region.

It is worth noting two of the changes, in particular, announced in the Autumn statement, which confirmed the Capital Gains Tax and dividend "exemptions" reductions - down from £6,000/£1,000 in the current tax year, to £3,000/£500 in 2024/25 tax year, respectively.

The table sets out our current asset allocation views.

Underweight	Neutral	Overweight
Government Gilts	Index-linked Gilts: Global High Yield Bonds (for income)	
Investment-Grade Bonds	Equities: US, China, Far East, Emerging Markets, Japan	Equities (large cap): UK, Europe, Asia
	Equities (small cap): UK, US, Europe	Specialist Equities (including global equities)
Property (bricks & mortar)	Commodities	
Gold	Global property shares	

*Neutral means that, while we support the asset class, we do not generally want to adopt an overweight position.

We wish you and your family a happy and healthy 2024.

2nd January 2024