Weekly Update – 18th December 2023

Good morning

As we reach the last week of the year before Christmas, like most years I am struck with how quickly another year has passed, it really should not be a surprise anymore.

Below you will find the update on the past week, going into what is a traditionally quiet time in the markets. Last week was overall positive with the various central banks holding interest rates and going into the New Year we wait for the signs of the expected falls.

Here in Chertsey, there have been several developments which I would like to bring you up to speed on. Firstly, I am pleased to welcome John Browning to the team John is an experienced Para-planner who will add to the depth of experience that we have and will be working alongside Debbie and Ted. Over the past few weeks, he has been working with the team in London getting up to speed on our various systems and he will no doubt be at the heart of the tax year end work in the New Year.

We have also been through a technology upgrade in the office, some of you will have heard the new phone system, it sounds very corporate but is just a digital system and the 'next available team member' will be Debbie, Ted or John as always. It does give us more flexibility to cope with changes such as remote working if, heaven forbid, we ever faced another lock down style event.

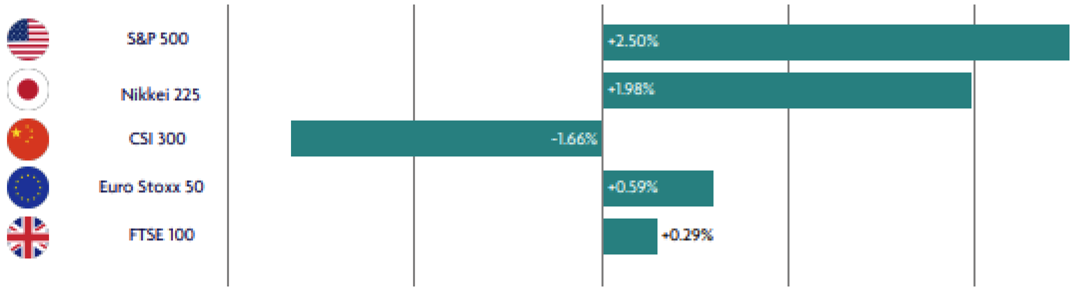
Unfortunately, one of the big challenges we all face is the ever-increasing amount and sophistication of cyber and data attacks. We have introduced new technology to try and protect both you and the Practice. This allows for information that is of a sensitive nature to be attached to an E-Mail as an encrypted attachment. The software is called mimecast. The first time you wish to open an encrypted file you will be asked to set up a personal password and this will give you access to the file. As always if you have any questions or need help first time round, please just let us know. It is a shame that such moves are necessary but the risk from hacking and the sensitive nature of our work means that it is the only sensible route for us to take on your behalf.

Weekly Market Update

18 December 2023

A strong week for global stock markets with most major markets rising, apart from China. It was a busy week with three major central bank meetings in the US, UK and Europe. Interest rates were held at current levels again, leading investors to strengthen views that rate cuts will begin in the second half of 2024.

Market Monitor (%): How did major stock markets perform last week?



Market Update:

UK

In the UK, the FTSE 100 closed the week in positive territory. The Bank of England kept interest rates at 5.25% for the third month running, as expected by investors. However, central bankers reiterated their willingness to increase rates again if evidence of more persistent inflation were to emerge. Expectations for inflation however are for it to continue its trajectory lower and the market continue to expect interest rate cuts in the latter part of 2024. Official data showed that the UK economy shrank in October. This furthers the case for interest rates to be reduced as high rates are beginning to harm economic growth.

US

U.S. stocks continued their rally last week, gaining over 7 consecutive weeks, the longest streak for the S&P 500 index since 2017 and a new to an all-time record index value. Smaller US companies also outperformed, finally strengthening after a challenging 18 months. Trade volumes in the US stock market also hit new highs, with daily share trading hitting its highest level of 2023. The primary factor driving sentiment appeared to be a more benign inflation environment. Tuesday's CPI report saw inflation meet market expectations, its lowest level since January 2021. Long-term US treasury yields fell sharply (prices rose) on the inflation data and no change in interest rates at the latest central bank meeting.

Europe

European stocks ended the week higher as financial markets appeared to increasingly expect the European Central Bank (ECB) to cut interest rates in 2024. The ECB left interest rates unchanged at its last meeting of the year last week. The bank called for inflation to slow to just below its 2% set target by 2026, a move widely seen as paving the way for a reduction in interest rates.

Japan

Japanese markets gained last week. Shares were supported by the US Fed holding rates steady and projecting more aggressive rate cuts in 2023. However, strength in the Japanese Yen posed a headwind for Japan's exporters as the strong currency makes exporting more expensive. Yields on Japanese bonds fell (prices rose) as investors started to speculate that the Bank of Japan (Central bank) will soon end its negative interest rate policy.

China

Chinese equities declined as persistent deflationary pressures (driven by falling real estate and consumer goods prices) weighed on the economic outlook. Despite a rally in global stock markets, Chinese equities fell again. Deflation is concerning for China since economists worry it could unleash a downward spiral of economic activity. Other data from November showed growing industrial production and rising retail sales.

Finally, may I take this opportunity to thank you for trusting us with your financial planning, from all the team may we wish you and your families a peaceful and happy Christmas and best wishes for the New Year. The office will be closed between Christmas and New Year, but we will of course monitor the answer machine and E-Mails if there is something you need from us over the holidays.

Very best

Andy

Andy Wilmot
Practice Principal