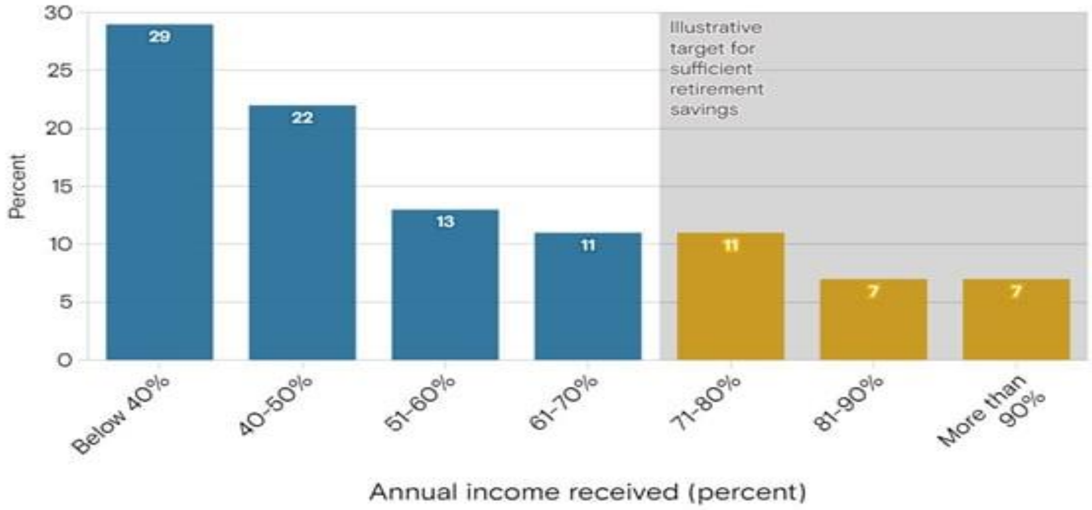
29 November 2022

Overview

You're probably not saving enough in your pension for retirement. Sorry, I have your attention now.

Total annual income retirees receive (including Social Security) relative to their pre-retirement income



Source: Goldman Sachs Asset Management Retirement Survey & Insights Report 2022

Goldman Sachs

It is commonly suggested that 70% of pre-retirement income is needed to maintain one's standard of living in retirement. Only 25% of retired respondents say they have more than 70% of pre-retirement income in post-work life.

FINANCIAL TIMES

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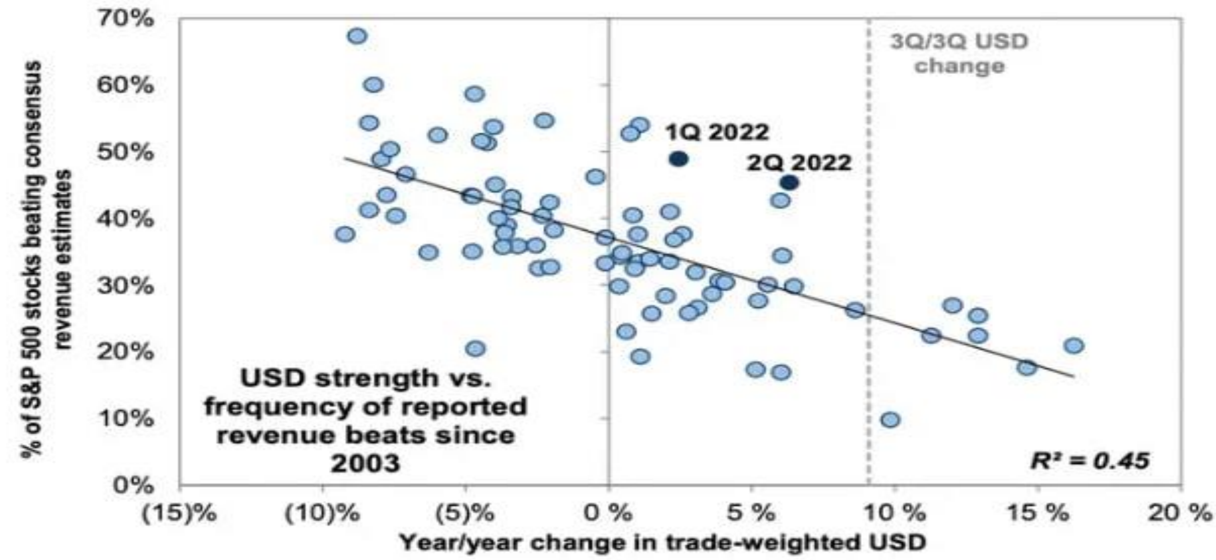
Investing in funds + Add to myFT

Retail investor portfolios down 44% year to date

Whilst companies are profitable, those beating expectations is, well, expected to be fewer. And the same goes for revenues. In a way, it does not matter what the absolute levels are, but whether expectations are exceeded. That is what moves share prices.

The cause of this is not just slowing spending, but a powering US Dollar. The strong dollar will continue putting downward pressure on stocks therefore.

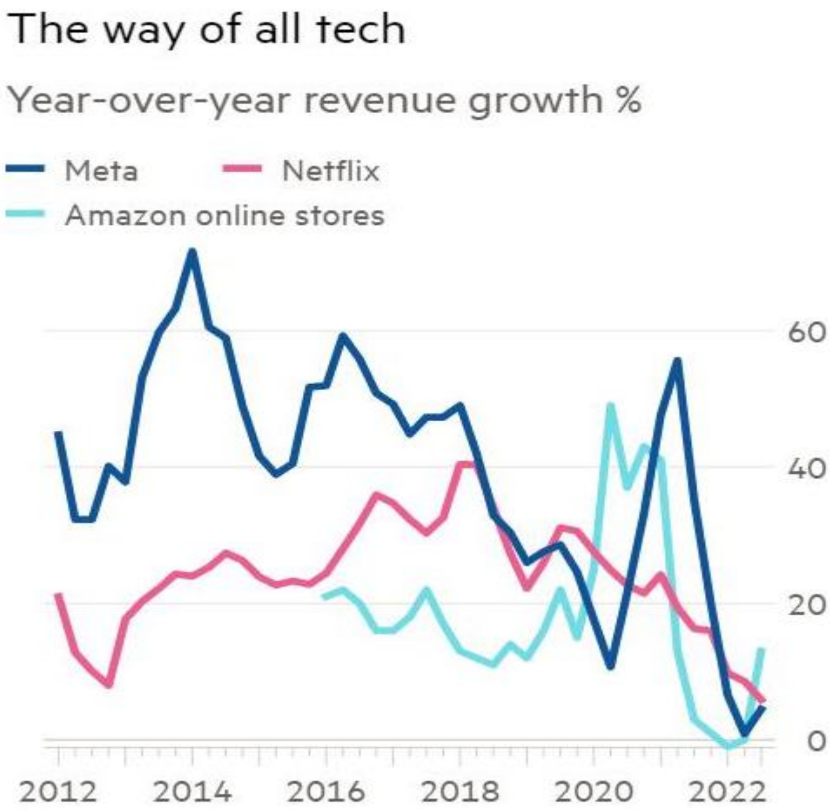
Exhibit 4: A stronger dollar is correlated with fewer revenue beats
as of 3Q 2022



Source: FactSet, Goldman Sachs Global Investment Research

A Goldman Sachs chart shows a stronger dollar is correlated with fewer revenue beats. FactSet, Goldman Sachs

And this stronger Dollar is feeding inflation around the world, because it makes imports from the US more expensive. We're importing inflation because of a strong US dollar and the US dollar is strong because it's a safe haven currency and the world's reserve currency. Those thinking it was the Euro or Yuan or Bitcoin, now know when push comes to shove – it's the almighty Yankee Dollar.



Source: S&P CapitalIQ

Wild Wipeouts

Amazon's wild plunge after lackluster sales outlook set to erase $240 billion

Rank	Company	Market cap lost	Date
1	Meta	$251B	February 3, 2022
2	**Amazon**	**240B**	**October 28, 2022**
3	Amazon	206B	April 29, 2022
4	Apple	180B	September 3, 2020
5	Microsoft	178B	March 16, 2020
6	Apple	157B	March 16, 2020
7	Apple	154B	September 13, 2022
8	Apple	150B	May 5, 2022
9	Tesla	140B	November 9, 2021
10	Apple	139B	September 8, 2020

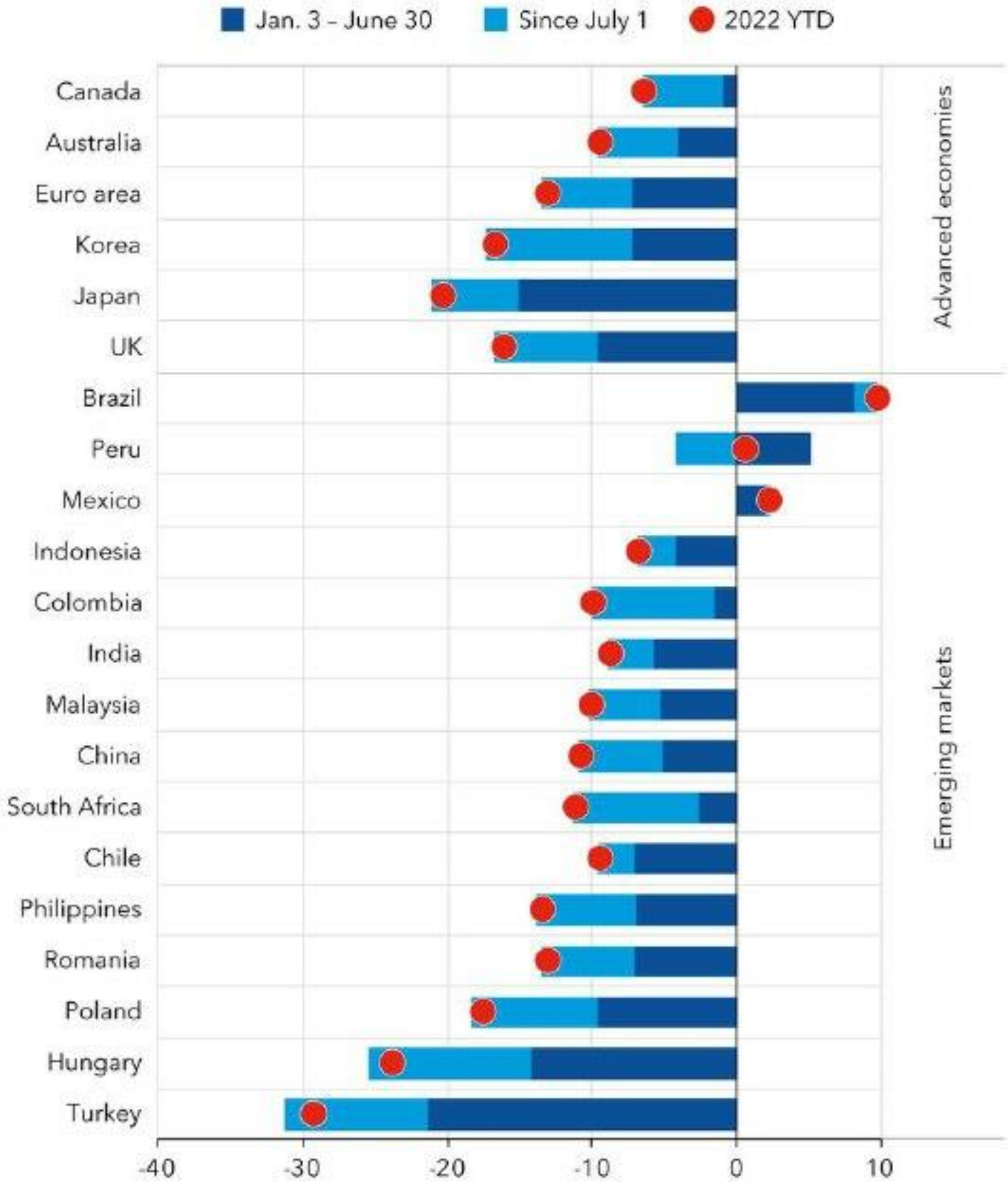
Source: Bloomberg
Note: Amazon drop on Oct. 28, 2022 based on aftermarket trading values

Bloomberg

Dollar surge

For many countries, the weakening of their currencies relative to the US dollar has made the inflation fight harder.

(exchange rates vis-à-vis US dollar, percent change)



Source: Haver Analytics and IMF staff calculations.
Note: As of October 4, 2022.

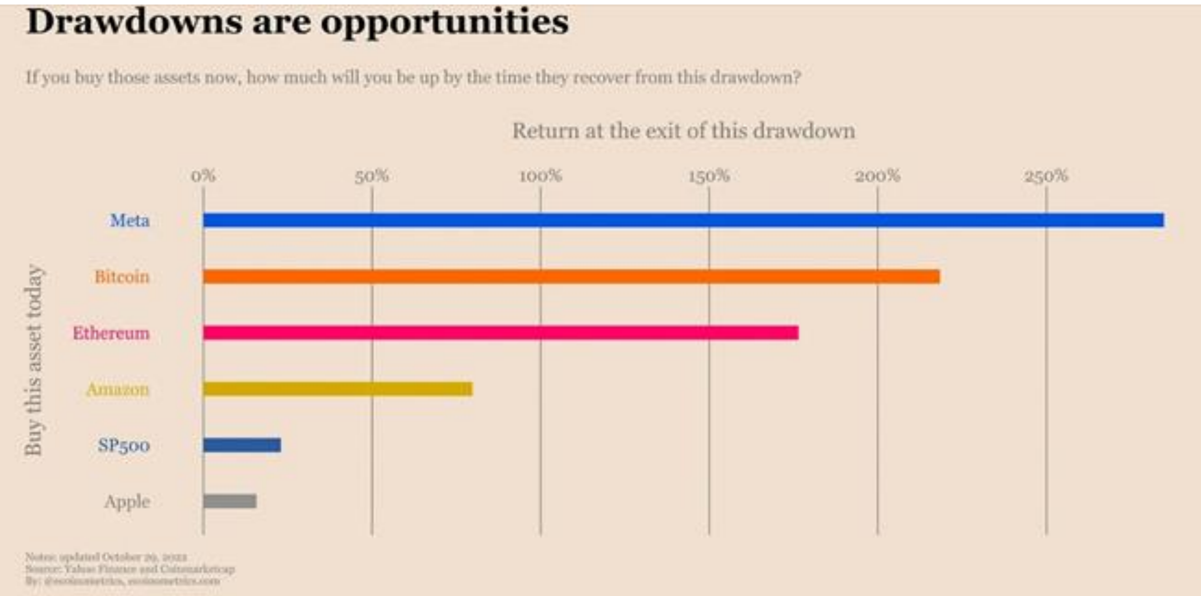
Where is the Hope?

Well, the good news as the year comes to a close is that when you get these types of falls, the bounce backs are where the returns are to be made.

INDEX MOSTLY BOUNCES BACK

DATE	YEAR-TO-DATE PERFORMANCE	1 WEEK LATER	1 MONTH LATER	6 MONTHS LATER	12 MONTHS LATER
DEC. 5, 1973	-32.90%	1.20%	0.60%	-7.30%	-34.30%
OCT. 10, 2022	-33.40%				
OCT. 7, 2008	-33.80%	1.40%	-3.30%	-9.40%	20.30%
MEDIAN	-36.20%	5.30%	0.80%	13.70%	20.30%
SEPT. 13, 1974	-38.50%	5.70%	0.80%	34.60%	31.40%
SEPT. 21, 2001	-42.40%	5.30%	12.80%	27.40%	-16.70%
OCT. 27, 2008	-43.20%	14.60%	7.40%	13.70%	40.50%

Source: Sundial Capital Research



And here is more good news for 2023:

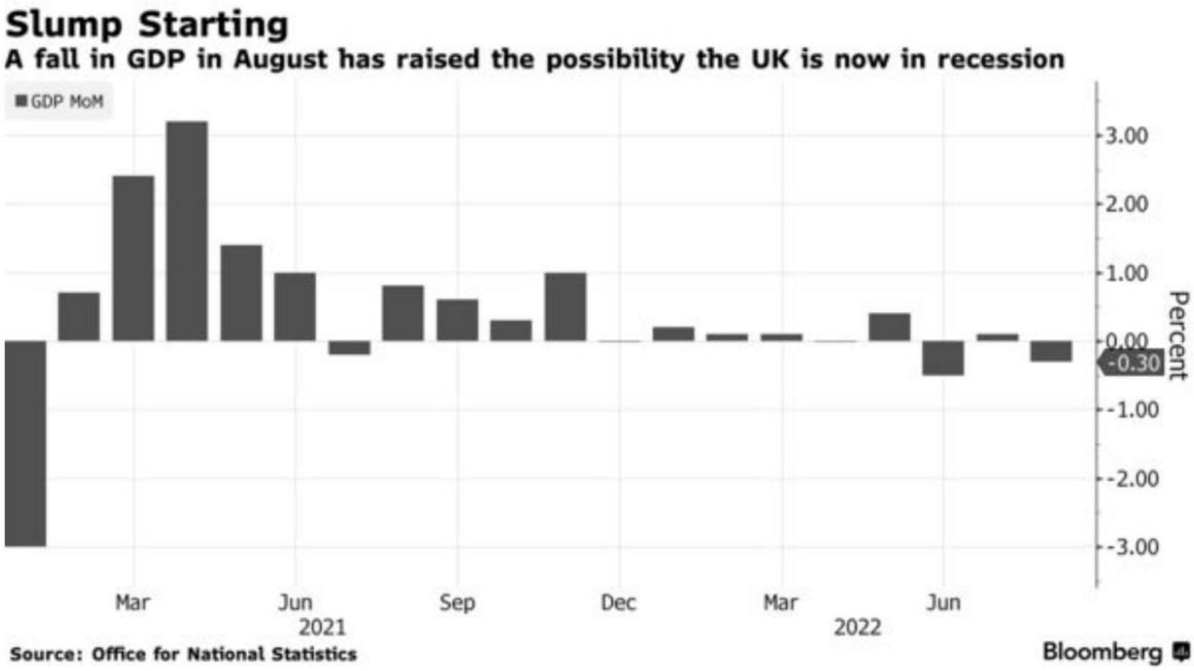
UK Market

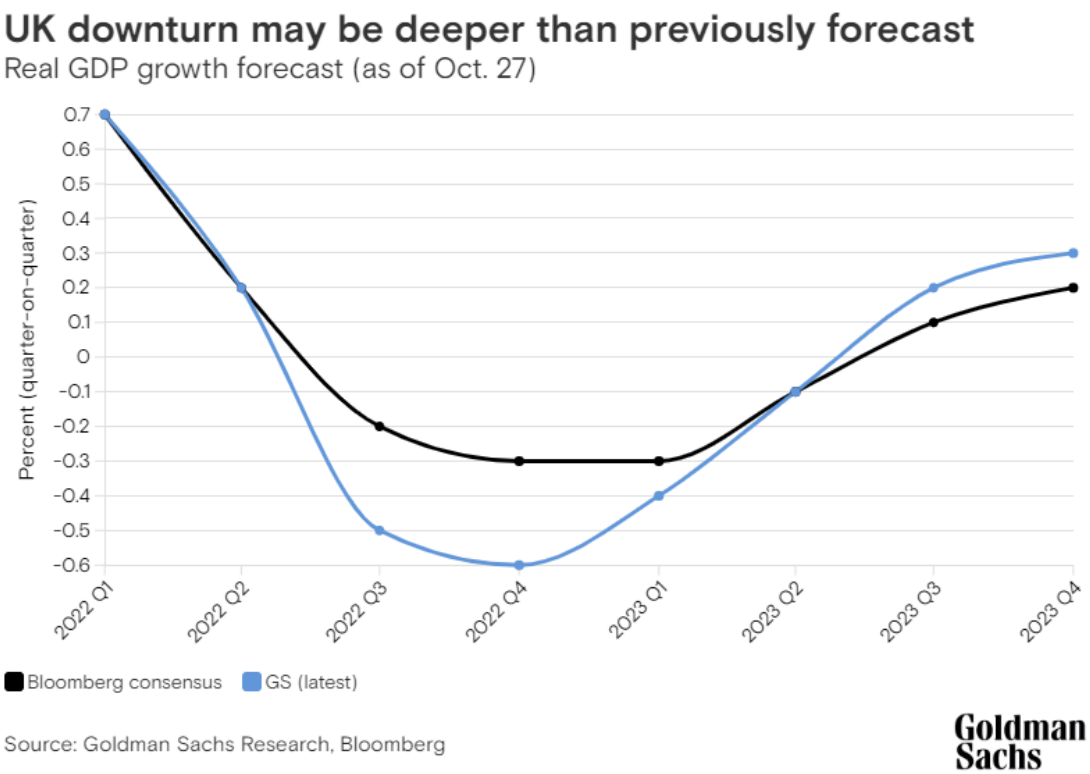
That we may be in recession is in itself a potential positive for the stockmarket – the market tends to look ahead 12 months and should start anticipating a recovery by then!

You can see below the FTSE 350 stocks which have the best VGI scores and their performance this year and the past fortnight.

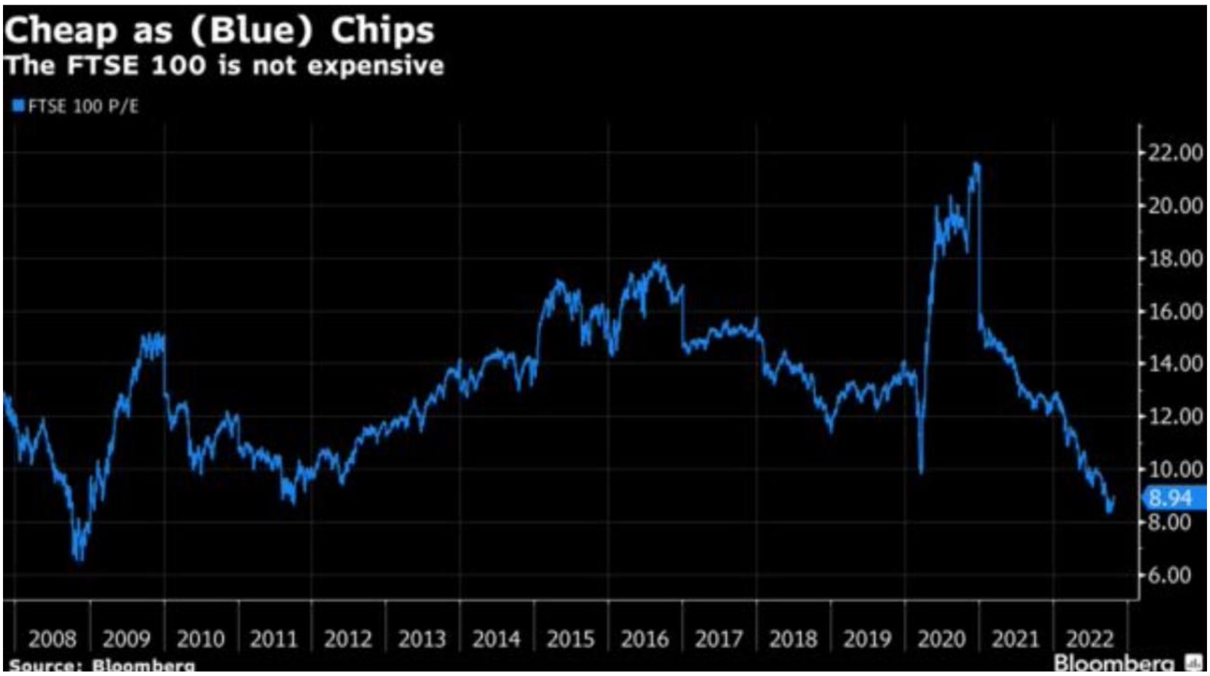
No.	Name	Alpesh value/ growth rating	Price% 3/1/22	Price% 2 weeks ago
1	4imprint Group PLC	9	40.78	-2.10
2	IG Group Holdings PLC	9	1.54	1.16
3	Airtel Africa PLC	8	-9.65	1.51
4	AJ Bell PLC	8	-3.74	0.05
5	Ashtead Group PLC	8	-14.34	1.03
6	Aviva PLC	8	10.78	1.91
7	Baltic Classifieds Group PLC	8	-41.98	-3.17
8	Bunzl PLC	8	6.69	3.85
9	Burberry Group PLC	8	16.15	3.99
10	Coats Group PLC	8	-3.18	-2.05
11	Coca-Cola HBC AG	8	-20.74	0.15
12	Diageo PLC	8	-6.19	3.47
13	Diploma PLC	8	-16.24	2.84
14	Discoverie Group PLC	8	-21.64	-8.11
15	Dunelm Group PLC	8	-28.20	-1.93
16	Experian PLC	8	-18.89	3.73
17	Games Workshop Group PLC	8	-24.97	-0.40
18	IMI PLC	8	-17.97	-1.52
19	Inchcape PLC	8	-7.15	-0.30
20	Investec PLC	8	26.16	6.82
21	ITV PLC	8	-31.05	-4.58
22	JTC PLC	8	-14.41	-3.33
23	London Stock Exchange Group PLC	8	17.43	1.45
24	Mitie Group PLC	8	16.59	-0.66
25	National Grid PLC	8	-4.13	0.69
26	Network International Holdings PLC	8	15.95	2.05
27	PageGroup PLC	8	-23.66	-0.12
28	Spirax-Sarco Engineering PLC	8	-29.44	-4.71
29	Spirent Communications PLC	8	3.62	3.77
30	TBC Bank Group PLC	8	33.33	0.69
31	Telecom plus PLC	8	57.00	9.93
32	Unilever PLC	8	5.31	3.04
33	Vesuvius PLC	8	-14.22	-0.82
34	Victrex PLC	8	-26.27	0.06
35	Volution Group PLC	8	-38.16	-6.81
36	Watches Of Switzerland Group PLC	8	-30.99	-0.36
37	abrdn PLC	7	-14.11	0.98
38	Anglo American PLC	7	5.22	-4.38
39	Associated British Foods PLC	7	-21.54	0.86
40	Auto Trader Group PLC	7	-22.78	-0.35
41	Babcock International Group PLC	7	-8.85	2.11
42	BAE Systems PLC	7	47.62	11.76
43	Balfour Beatty PLC	7	23.51	7.58
44	Berkeley Group Holdings (The) PLC	7	-20.96	-0.71
45	Bridgepoint Group PLC	7	-57.81	-14.26
46	Bytes Technology Group PLC	7	-27.15	-3.50

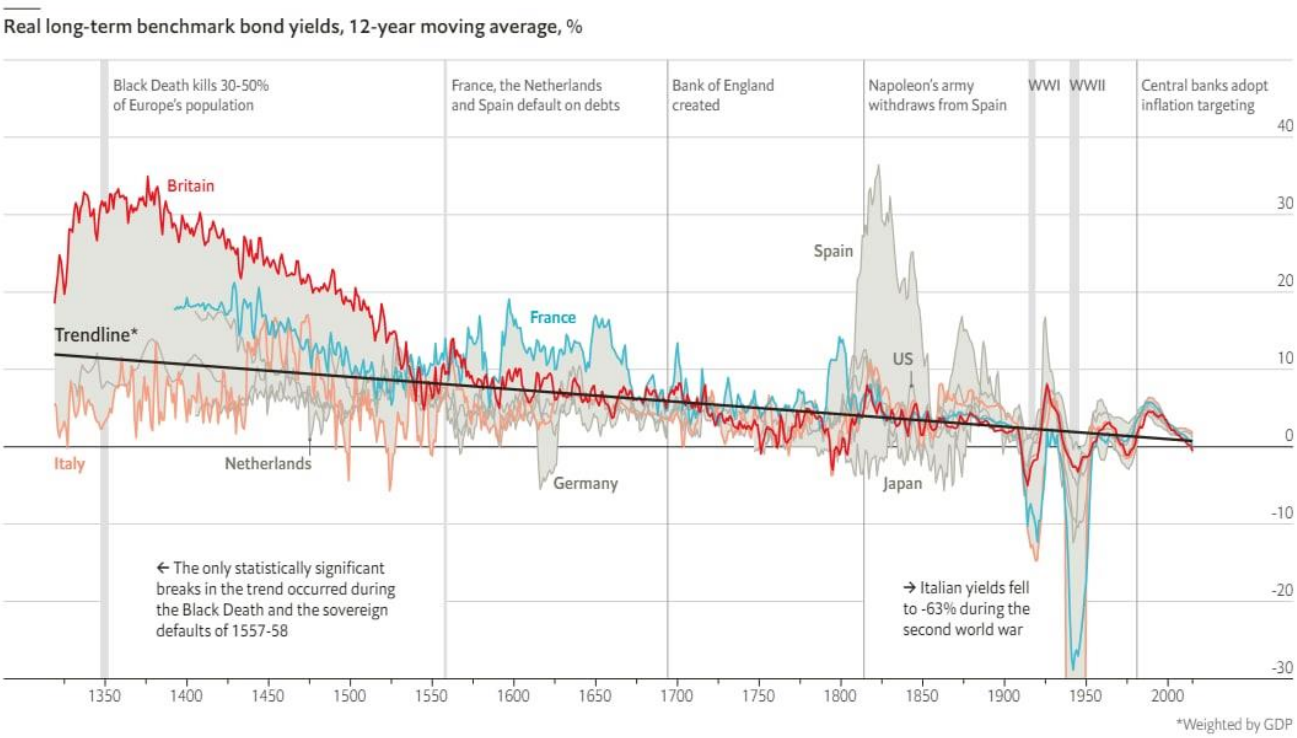
At least bond yields have dropped, and so have mortgage rates. But of the Bank of England mistimes the sale of bonds on its books (quantitative tightening) then it will push bond prices down and yields up. That they did this to Kwasi did make some economists raise an eyebrow!





The UK too therefore may be at a bottom ready for a rising 2023:

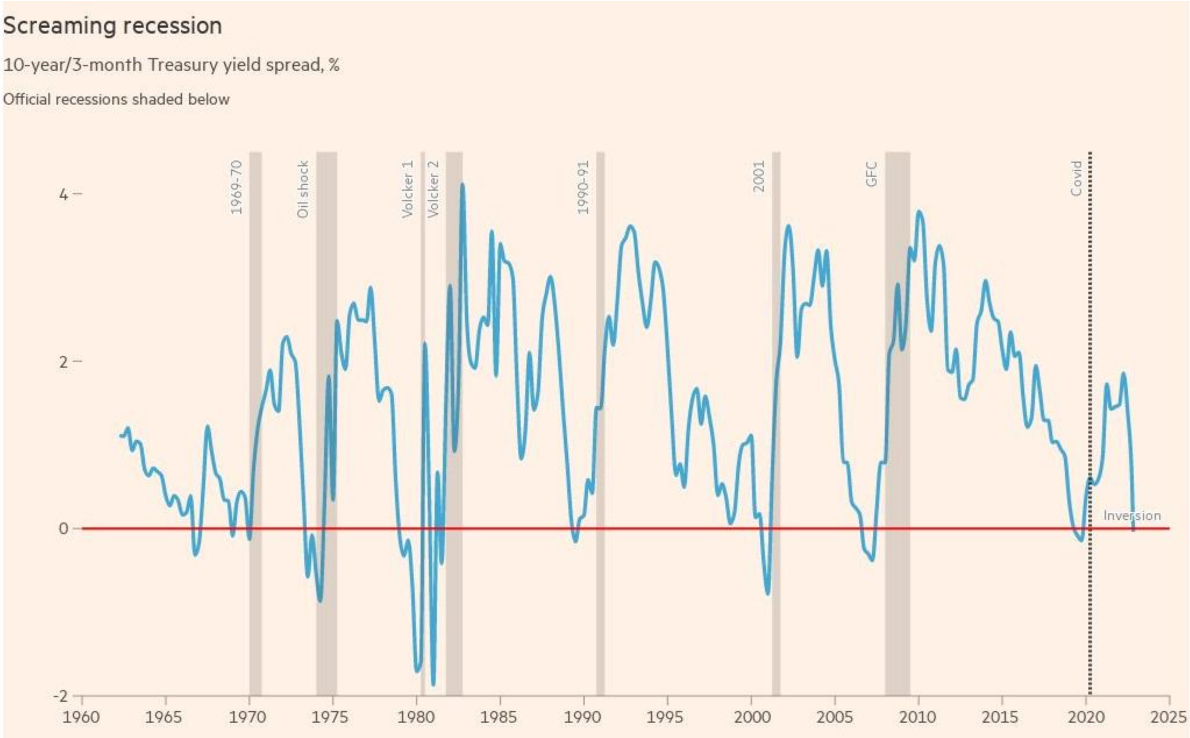




Outlook 2023

What's the economic outlook 2023 for the US and UK? Well, the IMF and World Bank have opposing views and everyone else a view in between.

Are we in a US recession? If so, shouldn't we expect the market now to have bottomed, be cheap?

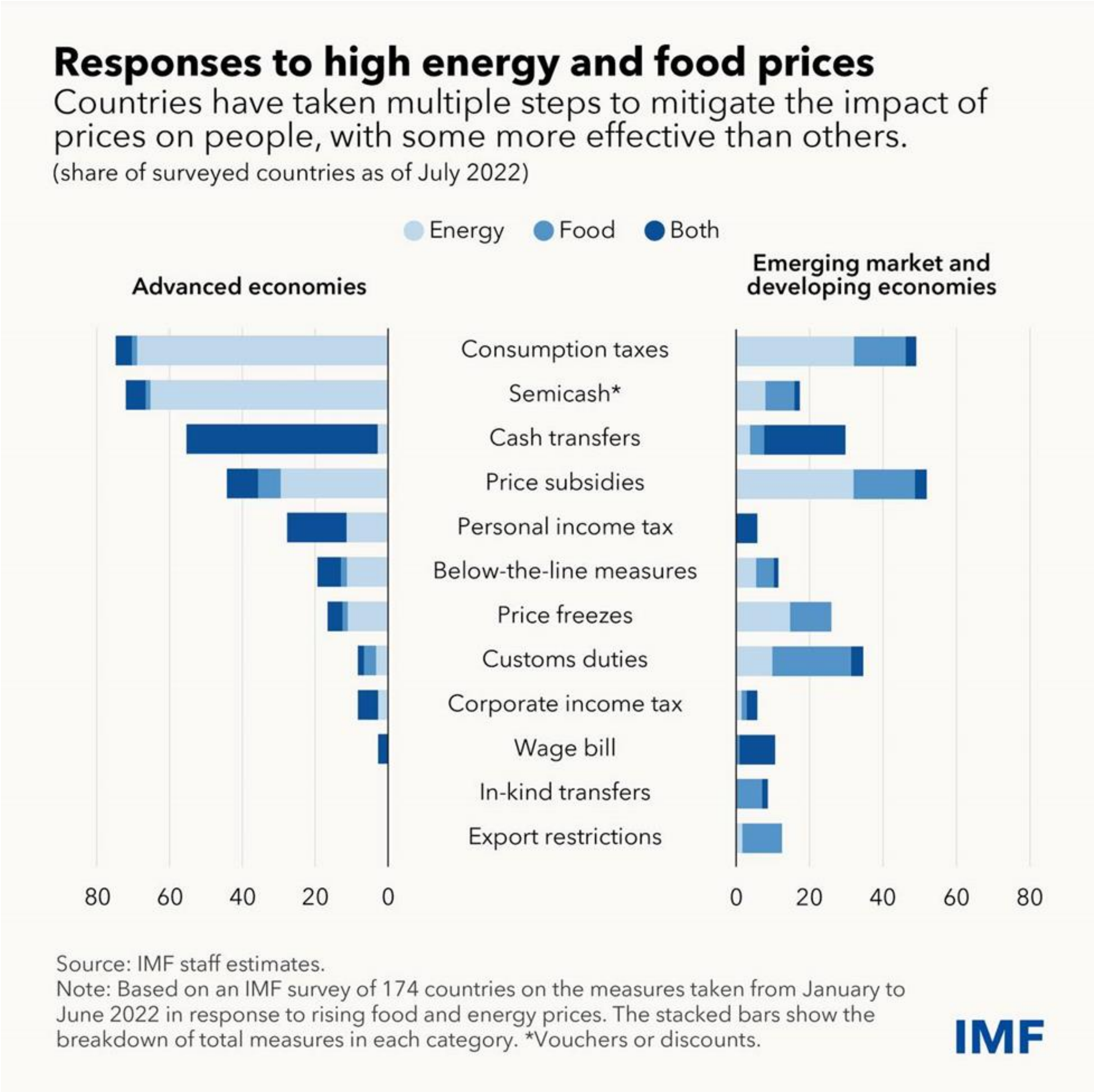


And with growth expected globally in 2023 – again we should have an up year.

Latest World Economic Outlook Growth Projections

(real GDP, annual percent change)	2021	PROJECTIONS 2022	2023
World Output	6.0	3.2	2.7
Advanced Economies	5.2	2.4	1.1
United States	5.7	1.6	1.0
Euro Area	5.2	3.1	0.5
Germany	2.6	1.5	-0.3
France	6.8	2.5	0.7
Italy	6.6	3.2	-0.2
Spain	5.1	4.3	1.2
Japan	1.7	1.7	1.6
United Kingdom	7.4	3.6	0.3
Canada	4.5	3.3	1.5
Other Advanced Economies	5.3	2.8	2.3

A lot of Governments are trying a lot of different policy responses to tackle global inflation.

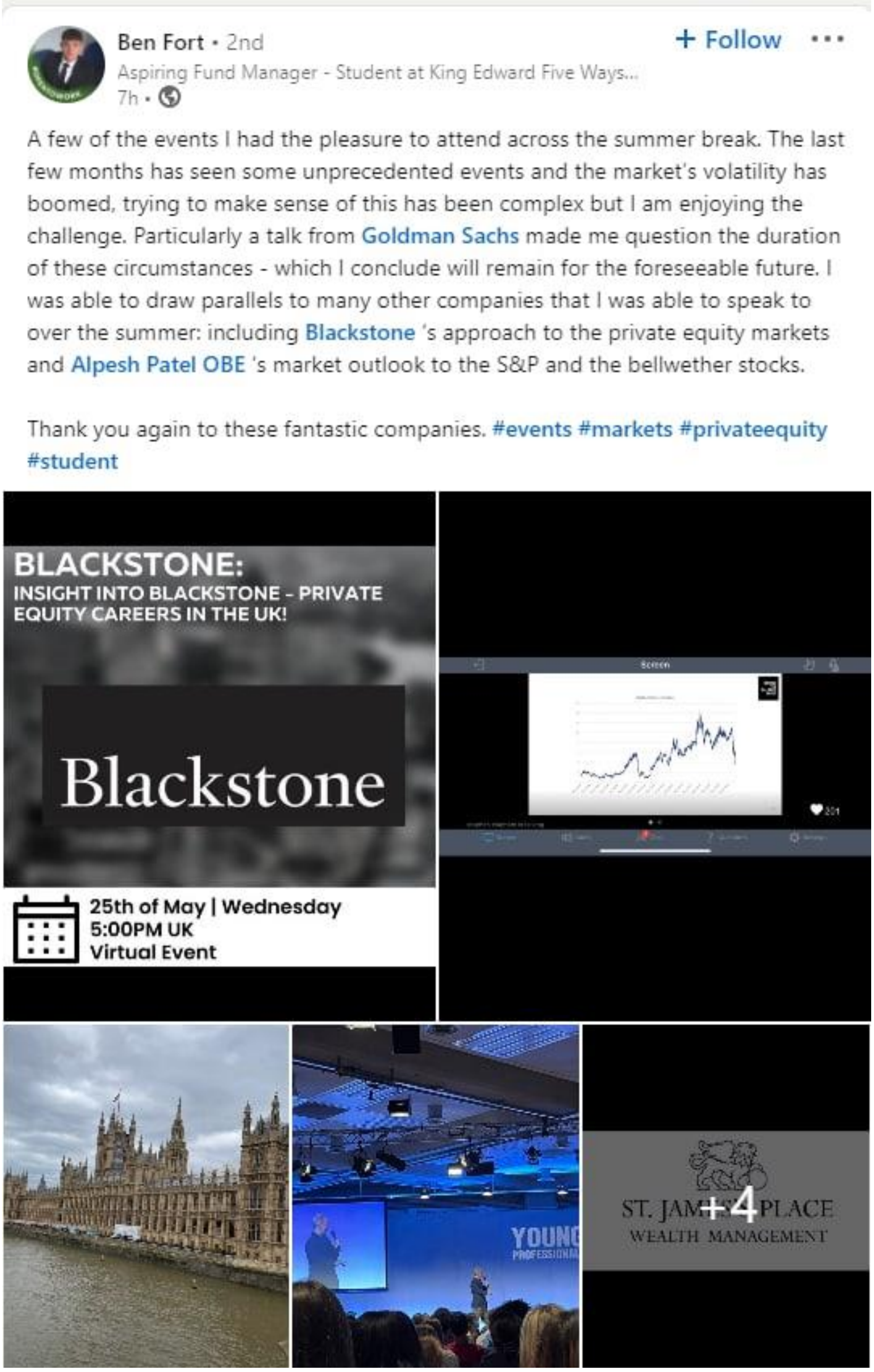


More about what we can expect in 2023 – well reversion to mean and a positive return in 2023 for the S&P500 I would say.


Distribution of annualized returns on the SP500
Historically the median annualized return on the SP500 is 7%.
Annualized returns
Median
Return
-20%
-10%
0%
10%
20%
30%
SP500

Personal Note

I've had huge pleasure in helping so many students. One such example below.



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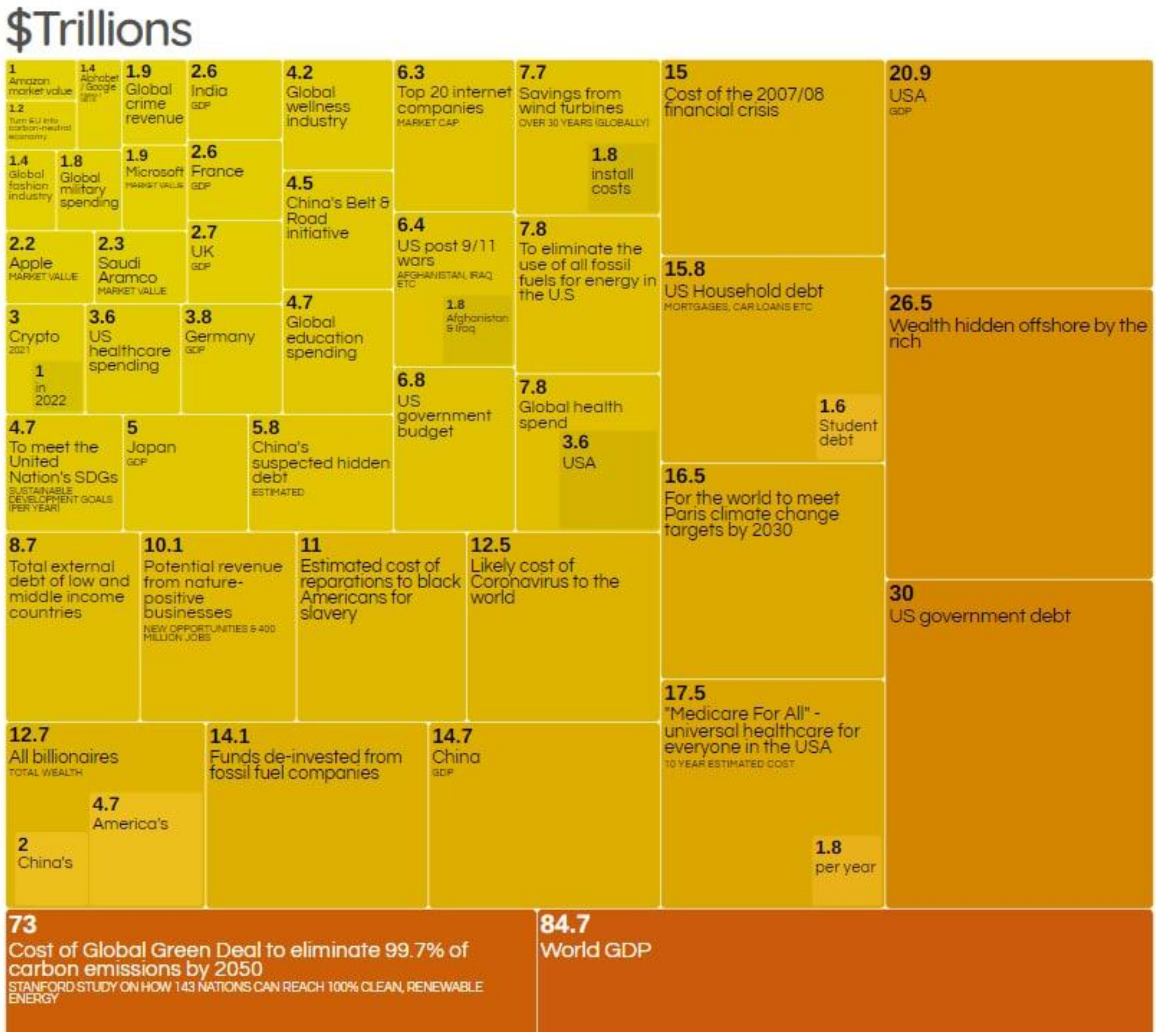
A few of the events I had the pleasure to attend across the summer break. The last few months has seen some unprecedented events and the market's volatility has boomed, trying to make sense of this has been complex but I am enjoying the challenge. Particularly a talk from Goldman Sachs made me question the duration of these circumstances - which I conclude will remain for the foreseeable future. I was able to draw parallels to many other companies that I was able to speak to over the summer: including Blackstone 's approach to the private equity markets and Alpesh Patel OBE 's market outlook to the S&P and the bellwether stocks.

Thank you again to these fantastic companies. #events #markets #privateequity #student

Great message and a fantastic learning attitude.

Out of Interest

I share this more out of interest and to put some data to viewpoints you may hold on a variety if things.



In the Tech capital India this week

What Do The Bond Market Moves Mean for Stocks?

The bond market had a turbulent week, with yields on the 10-year Treasury note reaching their highest level since 2014.

Investors are closely watching this volatility as they try to gauge its impact on the stock market.

Some believe that the sell-off in bonds is a sign that stocks are headed for a correction, while others argue that it's simply a healthy rotation out of low-yielding assets and into riskier investments.

So, what should investors make of all this? Here's a closer look at what's happening in the bond market and what it could mean for stocks.

What Is Causing The Bond Market Turbulence?

Former finance Minister Kwasi Kwarteng's "mini-budget" announcement on Sep. 23 sent shockwaves through the bond market.

The U.K. government's plans to increase spending and borrowing to fund a post-Brexit economic recovery sent yields on 10-year gilts soaring to their highest level since June 2016, while the yield on 30-year gilts hit their highest level since 2014.

The move surprised investors, who had been expecting the government to stick to its previous plans for fiscal austerity.

The announcements had a disastrous impact on the stock market, with the FTSE 100 tumbling and 41% of mortgage deals pulled in the wake of the news.

At the end of October, the Bank of England plans to begin its delayed sale of gilts as part of its quantitative easing program, which is likely to put further upward pressure on yields.

Over the pond, the bond market volatility is also at its highest since the 2008 financial crisis in the U.S.

With the Fed accelerating the reduction of its $9 trillion balance sheet, this will likely put upward pressure on yields and further widen the gap between short-term and long-term rates.

So, What Does This Mean for The Stock Market?

Well, higher bond yields typically mean increased borrowing costs for companies which can weigh on profits and share prices. It can also make stocks look relatively less attractive compared to bonds from an income perspective.

That said, it's important to remember that the bond market is just one factor that can impact stock prices, and there are many other factors at play as well.

So, while bond market moves can be closely watched, it's just one piece of the puzzle when it comes to analysing the stock market.

The stocks-to-bond correlation is not as simple as some make it out to be. While a rise in bond yields can put pressure on stocks, it's just one factor among many that can impact stock prices. So, while bond market moves are worth watching, don't forget to consider the big picture when making investment decisions.

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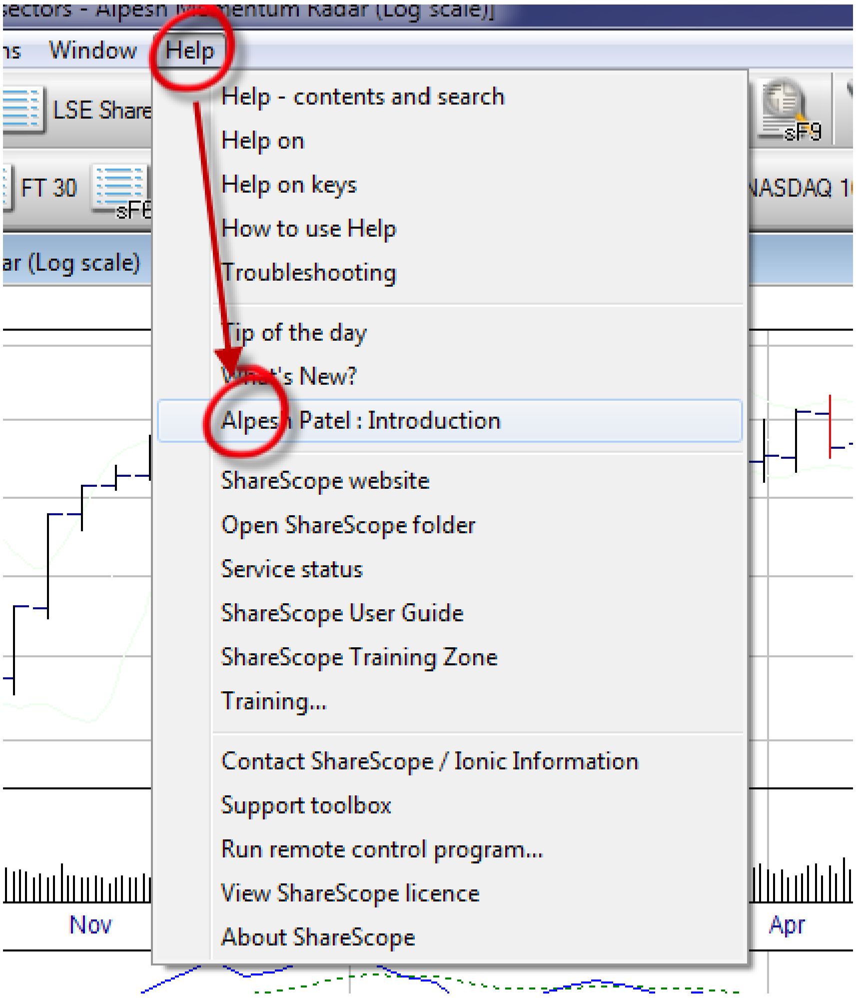
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