



Reeves Market Outlook

November 2022

Reeves Invest Outlook

It has been often said that a week is a long time in politics, if so, then how do you describe the events of the last month. With so many changes and U turns, it is no wonder the stock market and the currency market have been in turmoil. All three main equity markets, FTSE 100, Mid Cap and Smaller Companies all took a battering, Government Securities (GILTS) saw prices fall and yields rise and at one point Sterling fell to \$1.03 against the US Dollar. All in all, political turmoil which had repercussions for everyone from pensioners, home buyers and the weekly family budget.



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The appointment of Jeremy Hunt as Chancellor of the Exchequer and his quick action to scrap most of the former Chancellors unfunded tax cuts helped to reassure both the financial market and the currency market. However, just as we thought stability was emerging the Prime Minister (PM), Liz Truss, was forced to resign and a new fast tracked Prime Minister installed in 10 Downing Street.

It remains to be seen if the new Prime Minister, Rishi Sunak, can bring much needed stability and put the economy on the path to recovery. Early indicators suggest that the currency markets view this new PM favourably with Sterling gaining strength against both the US\$ and the €uro.

The decision to delay the budget statement until the middle of next month was generally seen as a positive move as the 'mini budget' will now become an Autumn Statement which will be accompanied by a detailed report from the Office for Budget Responsibility (OBR). It was this lack of oversight and scrutiny which was the undoing of the previous Chancellor. Also, a number of market commentators are suggesting that the economy may not be as dire as first thought and data gathered over the next few weeks may come to the Chancellors aid.

In the meantime, it is worth looking at those financial markets in a bit more detail. The fallout from the last month will have inevitably thrown up several buying opportunities. Stock markets can cope with most things what it cannot deal with is uncertainty and it was this uncertainty regarding the unfunded tax cuts announced by Kwasi Kwarteng, which has caused so many decent stocks to be marked down in this general carnage.

As we have said many times before, this is the territory of the stock picker. They can do what no index fund can do, sort the good from the bad. As such we very much expect that the next quarter could throw up a number of opportunities. A brief look at the FTSE 100 Share Index shows that it remains offering a dividend yield which is just shy of 4% and dividend cover (number of times the dividend is covered by earnings) not quite two times. Also, the Price Earnings ratio (P/E) at 14 x is not historically high. All in all, this suggests that a careful trawl through this index could present buying opportunities for the proven stock picking fund manager.

Outlook by Asset Class/Region

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

Disclaimer

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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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