

Legal Sector Breakfast Briefing

17 January 2024



Legal Sector Breakfast Briefing

Welcome & Introduction

Douglas Russell, Accounting Partner
Armstrong Watson



Legal Sector Breakfast Briefing

- 10:00 - Welcome
- 10:05 - Briefing
- 11:00 - Q & A
- 11:30 - Close

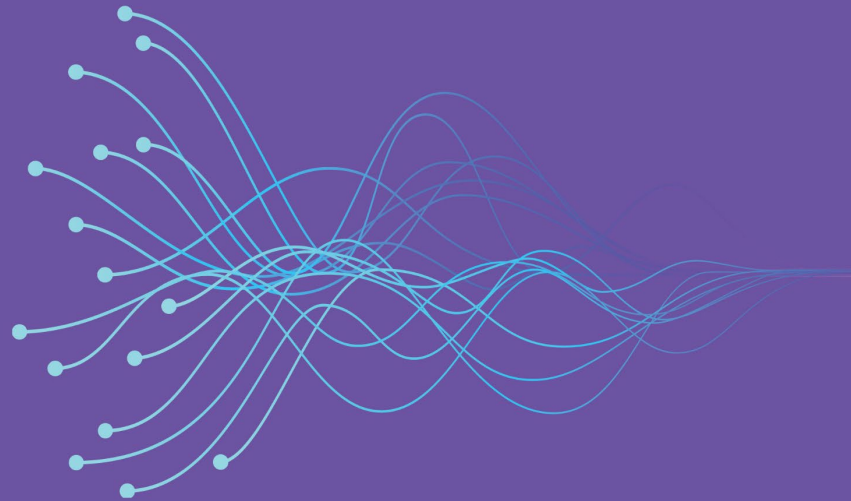




Factors Shaping the Economy and Investment Markets

17th January 2024

Richard Cole, CFA
Fund Manager



Factors Shaping the Economy and Investment Markets

Past – Inflation, Interest Rates and Market Losses

Present – Falling Inflation, Economic Resilience and Conflict

Future – Politics, Interest Rate Cuts and Investment Market Outlook

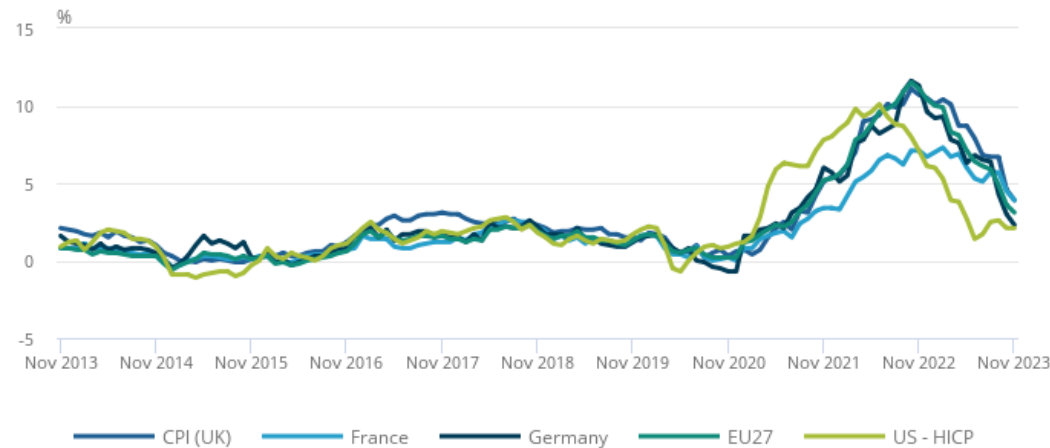


The Past

Inflation Dominates the Agenda

>Inflation: Covid Supply Chains, War in Ukraine, Tight Labour Markets

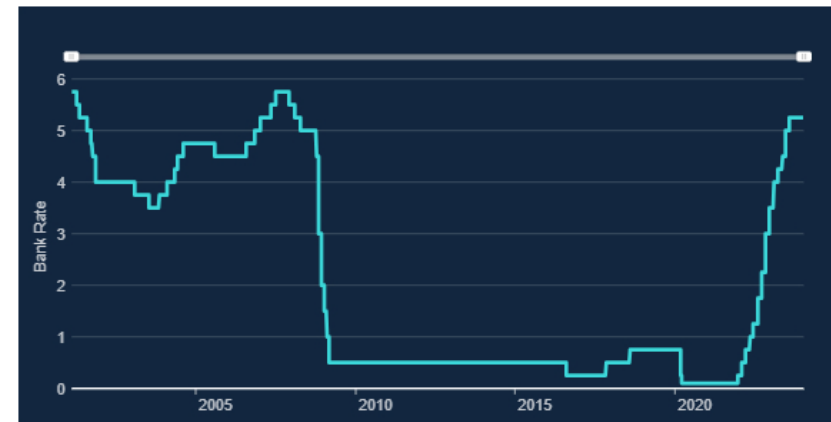
CPI compared with selected G7 and EU annual inflation rates, November 2013 to November 2023



Source: Consumer price inflation from the Office for National Statistics, Harmonised Index of Consumer Prices (HICP) from Eurostat, and US HICP from the US Bureau of Labor Statistics

Source: [Consumer price inflation, UK - Office for National Statistics](#)

>Interest Rates Back in Action



Source: [Interest rates and Bank Rate | Bank of England](#)



The Past

Inflation, Interest Rates and Market Losses

>Market Losses

Investment Growth

Time Period: 01/01/2022 to 10/01/2024

Currency: Pound Sterling Source Data: Total Return



Past performance is no guarantee of future performance. The value of investments can fall as well as rise and investors may not get back their original investment.

Source: Morningstar Direct



The Present

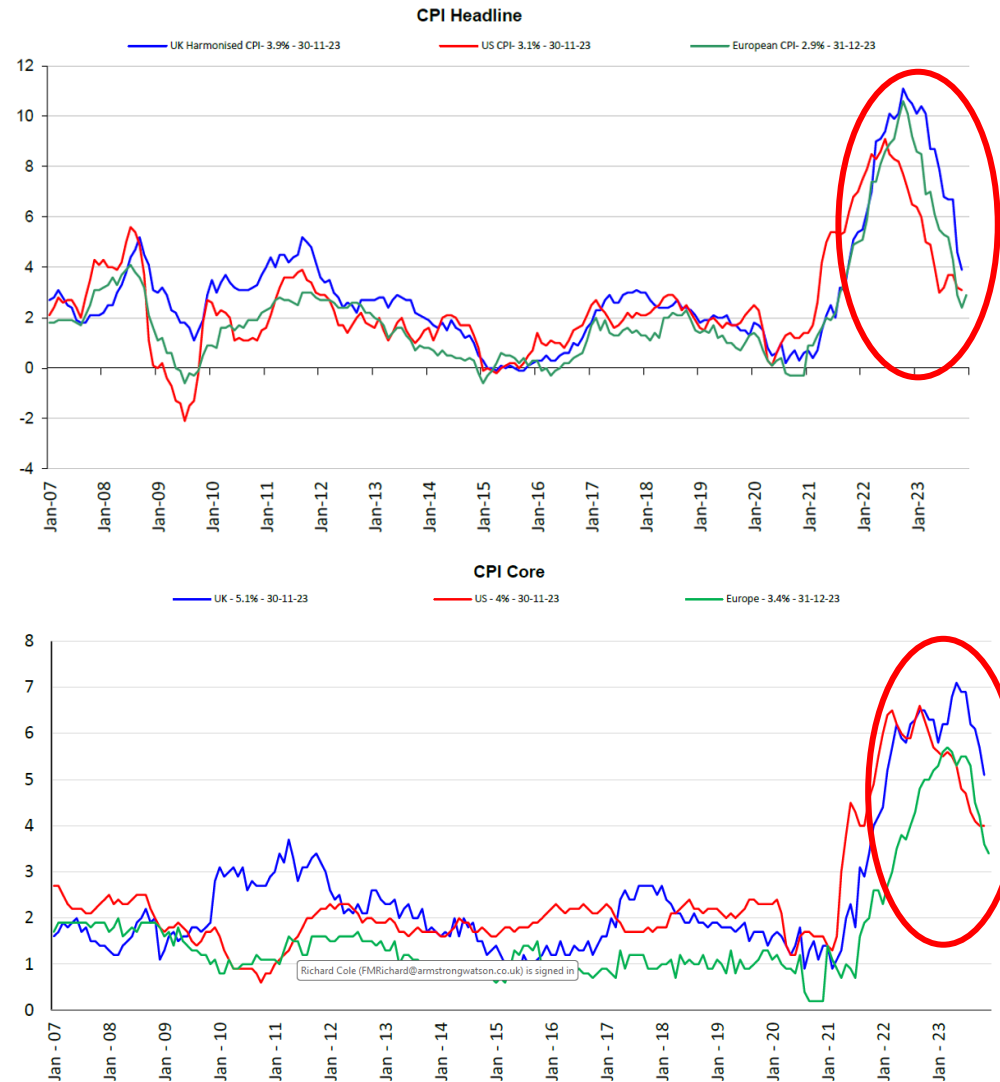
Economic Conditions

Soft landing (so far)

- > falling inflation
- > economic resilience

Labour market

- > a strength and a threat



Source: Bloomberg



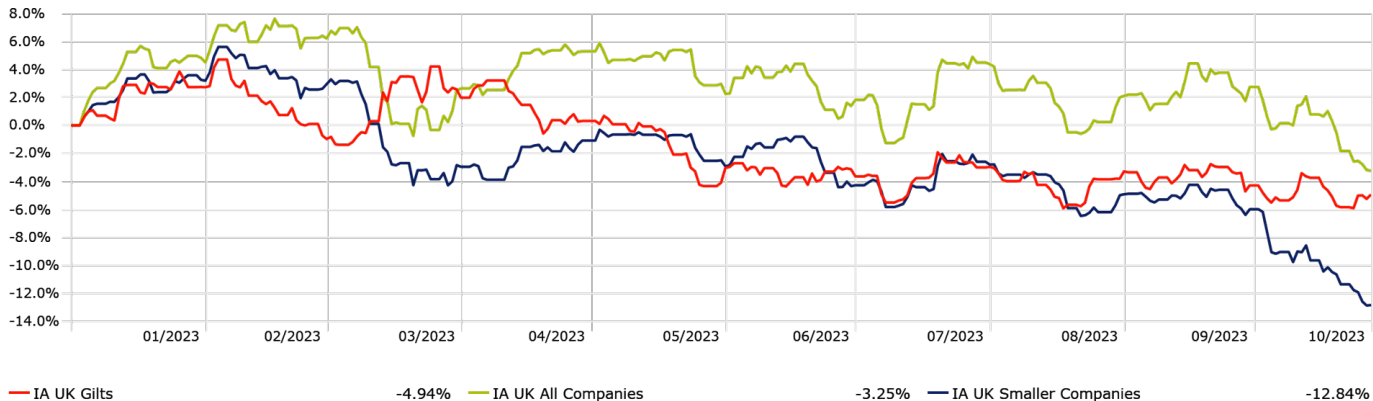
The Present

Market Movements – Large Swings in Confidence

"Inflation and Interest Rates will be High Forever"

Time Period: 01/01/2023 to 27/10/2023

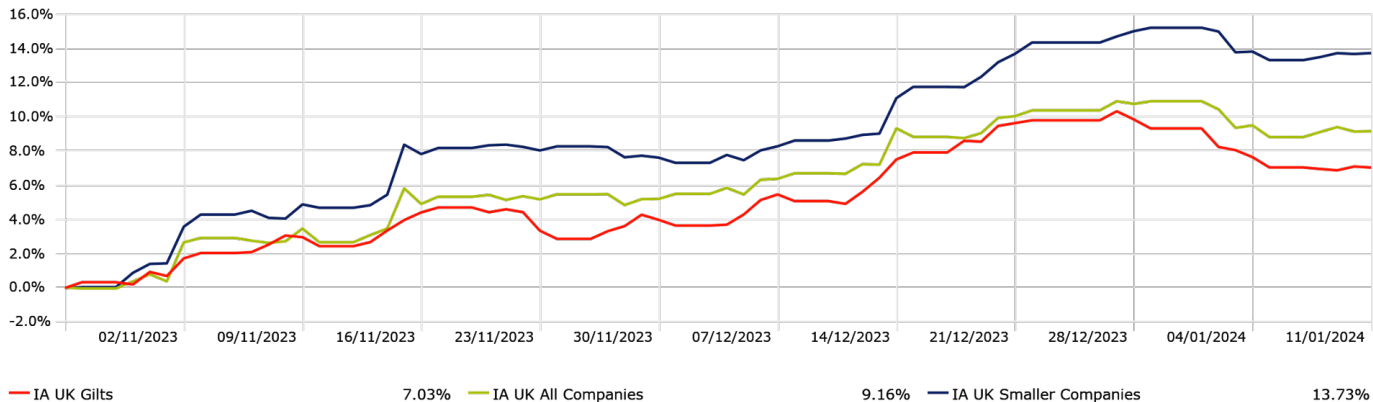
Currency: Pound Sterling Source Data: Total Return



"Inflation is Falling and Interest Rate Cuts are Coming"

Time Period: 27/10/2023 to 11/01/2024

Currency: Pound Sterling Source Data: Total Return



Past performance is no guarantee of future performance. The value of investments can fall as well as rise and investors may not get back their original investment.

Source: Morningstar Direct



The Present

Geopolitics



FINANCIAL TIMES · 1h

China's military warns against Taiwan independence 'plots' ahead of election

The Atlantic · 1h · on MSN

China Won't Leave Taiwan's Election to the Taiwanese

THE INDIAN EXPRESS · 57m · on MSN

China says it will 'crush' Taiwan's independence efforts ahead of elections in Taipei



The Independent on MSN · 27m

Yemen strikes sent 'strong signal' to Houthis, Sunak says

UK and US forces have bombed military facilities used by Houthi rebels in Yemen, with Rishi Sunak saying Britain sent a "strong...

BBC · 39m · on MSN

Strikes on Houthi targets in Yemen could undermine US aim to contain war

i on MSN · 1h

Is the UK at war? What strikes on Houthi rebels in Yemen mean

REUTERS · 46m · on MSN

US and Britain strike Yemen in retaliation for Houthi attacks on shipping

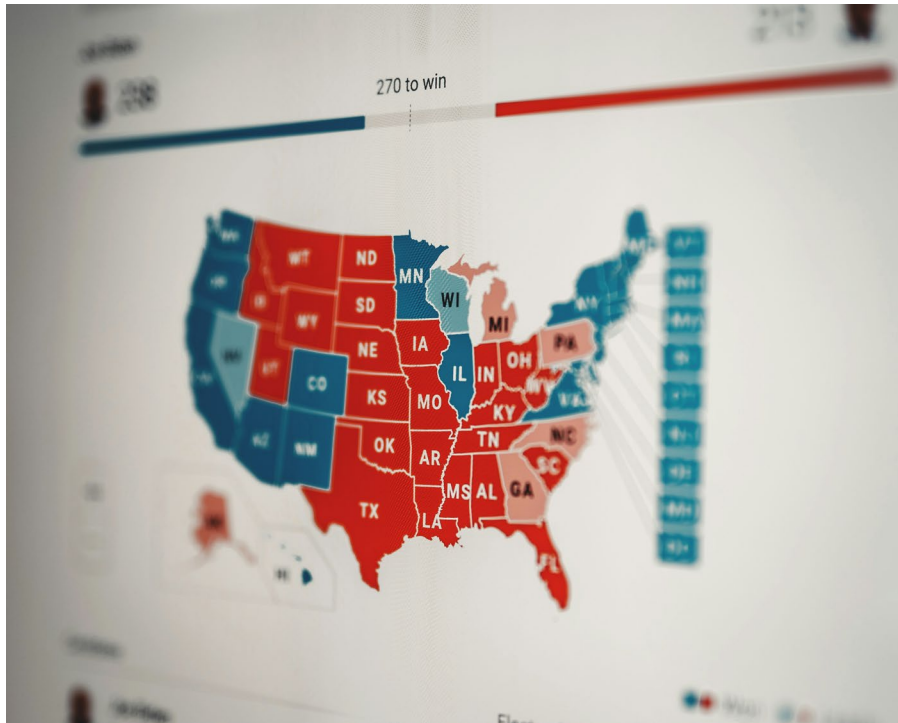
Source: Bing, 12.01.24

Source: Bing, 12.01.24



The Future

Election Year – Policy Implications



Source: Photo by [Clay Banks](#) on [Unsplash](#)



Source: Photo by [Elliott Stallion](#) on [Unsplash](#)



The Future

Economic Outlook

- >Economic weakness the backdrop
- >Softer inflation and lower taxes the opportunity
- >Energy price reaction to Middle East conflict the threat



Source: [Bank of England Monetary Policy Report November 2023](#)



The Future

Economic Outlook

> Large figures to fall out of 12-month inflation reading

> Allows 2024 to be the year of rate cuts

		CPIH Index (UK, 2015 = 100)	CPIH 12- month rate (%)	CPIH 1- month rate (%)	CPI Index (UK, 2015=100)	CPI 12- month rate (%)	CPI 1- month rate (%)	OOH Index (UK, 2015=100)	OOH 12- month rate (%)
2022	Nov	124.8	9.3	0.4	126.7	10.7	0.4	115.0	3.7
	Dec	125.3	9.2	0.4	127.2	10.5	0.4	115.5	3.8
2023	Jan	124.8	8.8	-0.4	126.4	10.1	-0.6	115.9	3.8
	Feb	126.0	9.2	1.0	127.9	10.4	1.1	116.2	3.9
	Mar	126.8	8.9	0.7	128.9	10.1	0.8	116.6	4.0
	Apr	128.3	7.8	1.2	130.4	8.7	1.2	116.9	4.0
	May	129.1	7.9	0.6	131.3	8.7	0.7	117.5	4.2
	Jun	129.4	7.3	0.2	131.5	7.9	0.1	118.1	4.4
	Jul	129.0	6.4	-0.3	130.9	6.8	-0.4	118.6	4.5
	Aug	129.4	6.3	0.4	131.3	6.7	0.3	119.2	4.8
	Sep	130.1	6.3	0.5	132.0	6.7	0.5	119.8	5.0
	Oct	130.2	4.7	0.1	132.0	4.6	0.0	120.6	5.4
	Nov	130.0	4.2	-0.1	131.7	3.9	-0.2	121.1	5.3

Source: [Consumer price inflation, UK - Office for National Statistics](#) 12.01.24



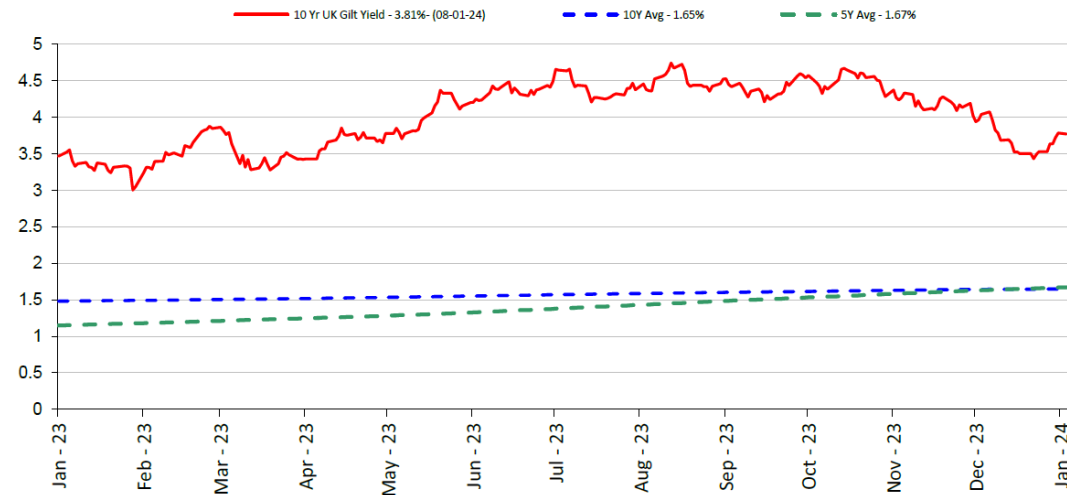
The Future

Investment Market Outlook

> Resurgence in inflation the risk, otherwise...

> High quality bonds and selective equities good value

UK 10 Yr Gilt Yield



Source: Bloomberg 09.01.2024

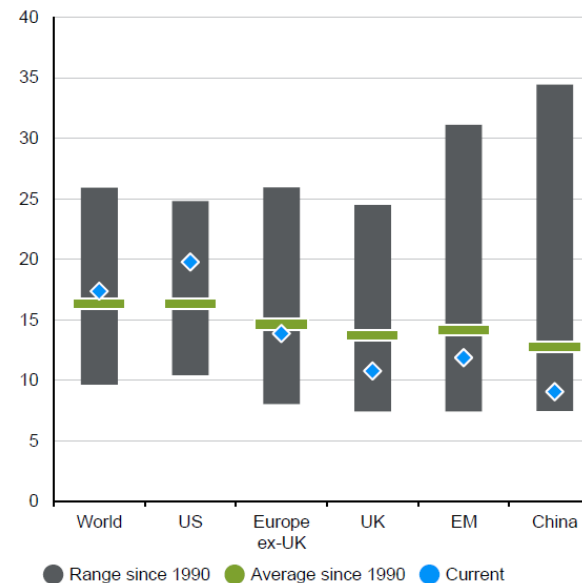
Forward P/E ratio of the S&P 500 top 10 vs. the rest

x, multiple



Global forward P/E ratios

x, multiple



Source: JPM Guide to Markets, January 2024



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[Register here](#)



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Providing specialist financial planning, trust accounting and investment expertise to deputies and solicitors dealing with vulnerable clients, personal injury, clinical negligence and compensation derived from these claims.

Our menu of services

Pre-Settlement - Our forensic accounting team has extensive experience of assisting solicitors with all aspects of personal injury claims, including loss of earnings and loss of pension. Matters often arise from road traffic accidents, industrial diseases, clinical negligence and workplace accidents. Where the injured party is self-employed, runs their own business or has a more complex structure to their earnings, our expertise is invaluable.

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You should carefully consider the risk of any investment and ensure that it is suitable for your requirements

Source: Morningstar Direct for graphs unless otherwise stated



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Questions and Conclusion

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