



# Legal Sector Breakfast Briefing

Yorkshire

28 February 2024



# Legal Sector Breakfast Briefing

## Welcome

Andy Gray, Senior Civil Clerk  
Dere Street Barristers

# Legal Sector Breakfast Briefing

## Introduction

Huw Nicholls, Audit & Assurance Director  
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

28<sup>th</sup> February 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



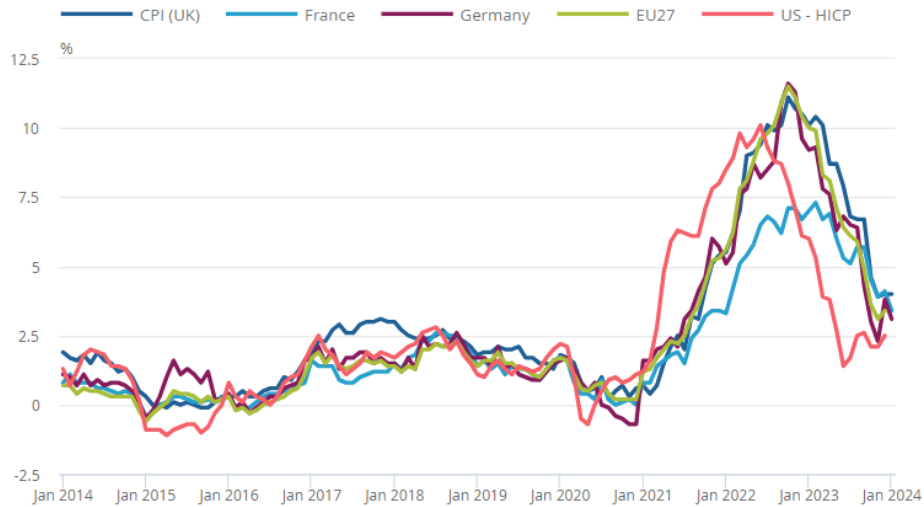
# The Past

## Inflation Dominates the Agenda

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

CPI compared with selected G7 and EU annual inflation rates, January

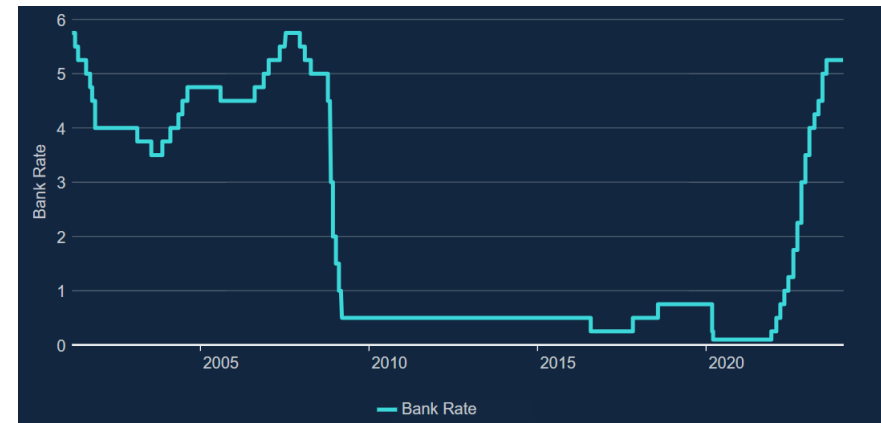
2014 to January 2024



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 21/02/2024

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

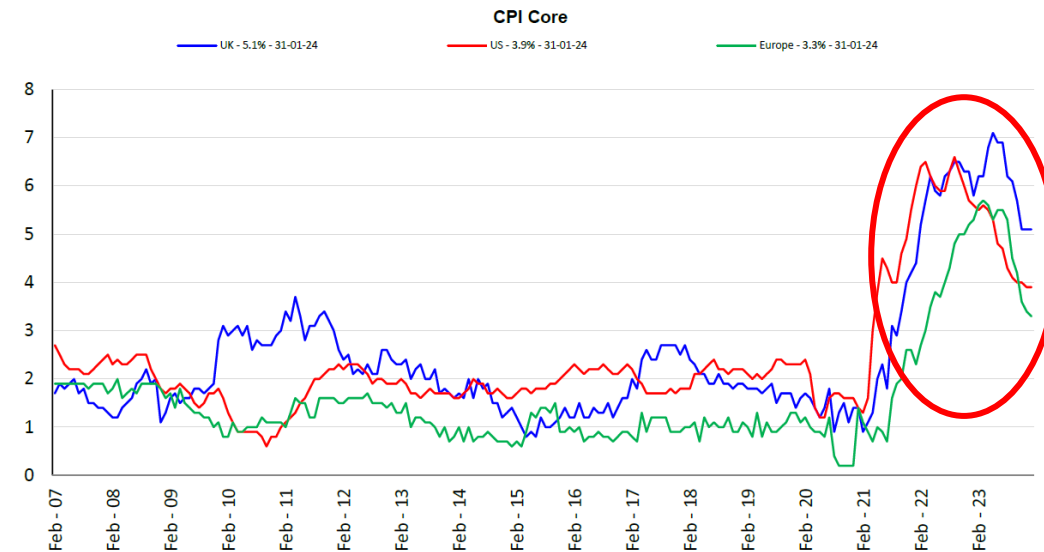
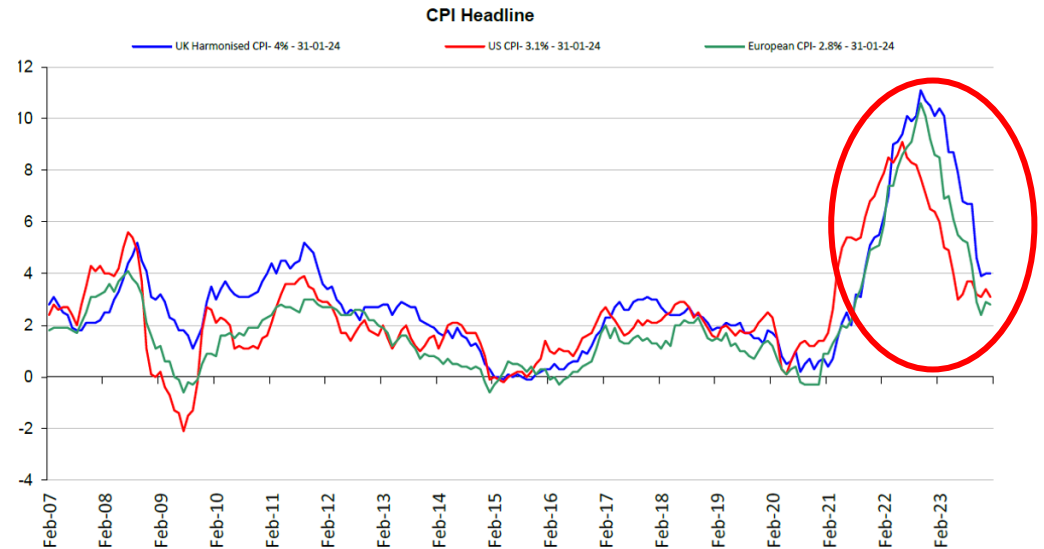
Soft landing (so far)

> falling inflation

> economic resilience

Labour market

> a strength and a threat



Source: Bloomberg



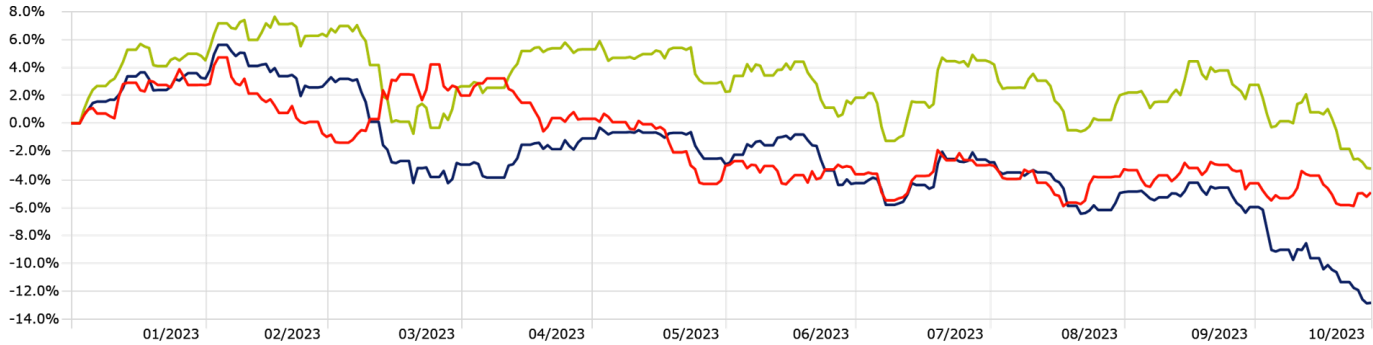
# The Present

## 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

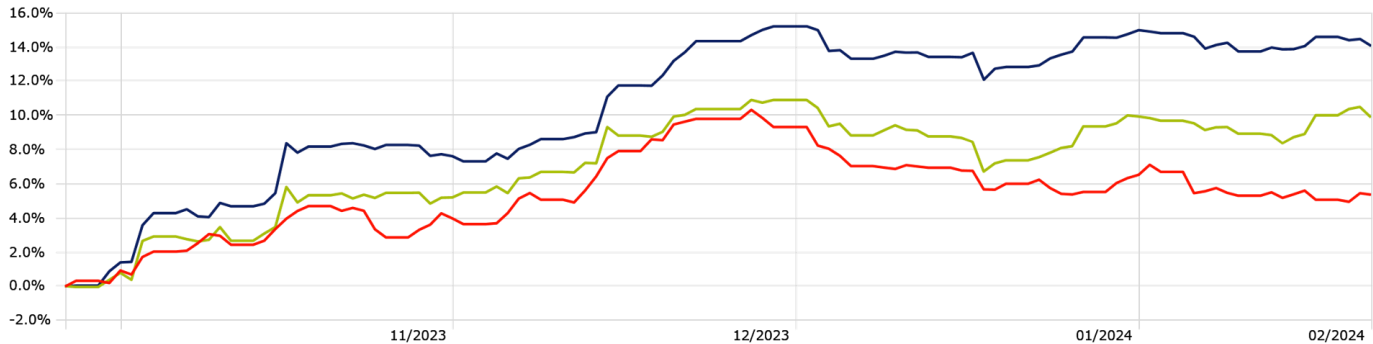


— IA UK Gilts -4.94% — IA UK All Companies -3.25% — IA UK Smaller Companies -12.84%

### "Inflation is Falling and Interest Rate Cuts are Coming"

Time Period: 27/10/2023 to 21/02/2024

Currency: Pound Sterling Source Data: Total Return



— IA UK Gilts 5.36% — IA UK All Companies 9.88% — IA UK Smaller Companies 14.06%

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

INDIAN EXPRESS · 57m · on MSN  
China says it will 'crush' Taiwan's independence efforts ahead of elections in Taipei

### CBS News on MSN · 1h

#### China calls Taiwan's 2024 election a choice between peace and war. Here's...

Taiwan is set to pick a new president in an election China says will see the democratically governed, U.S.-allied island chose between...

Source: Bing, 12.01.24



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

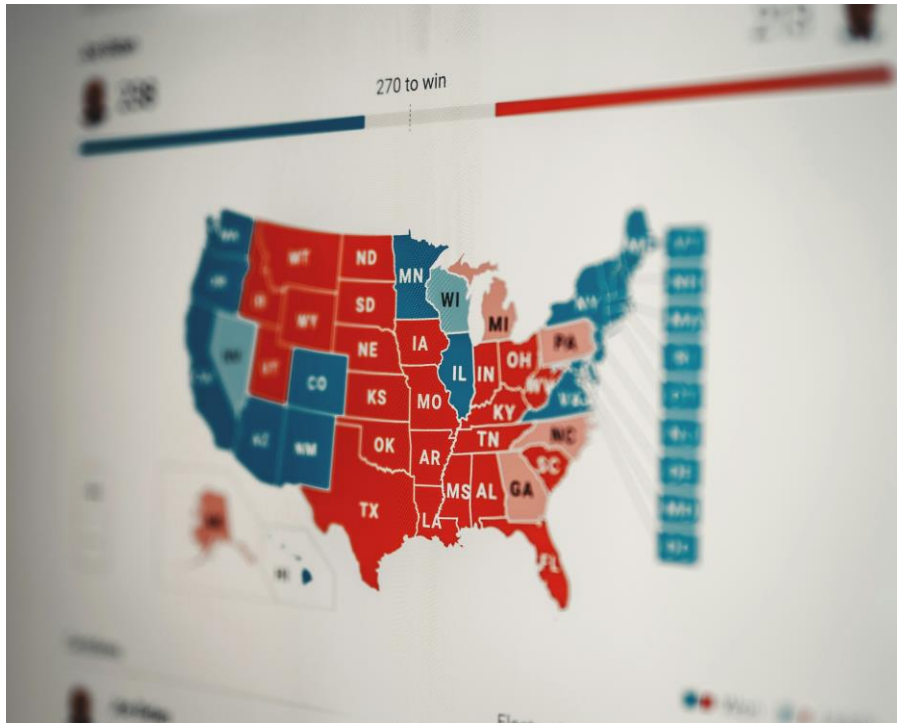
REUTERS · 46m · on MSN  
US and Britain strike Yemen in retaliation for Houthi attacks on shipping

Source: Bing, 12.01.24



# The Future

## Election Year – Policy Implications



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



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



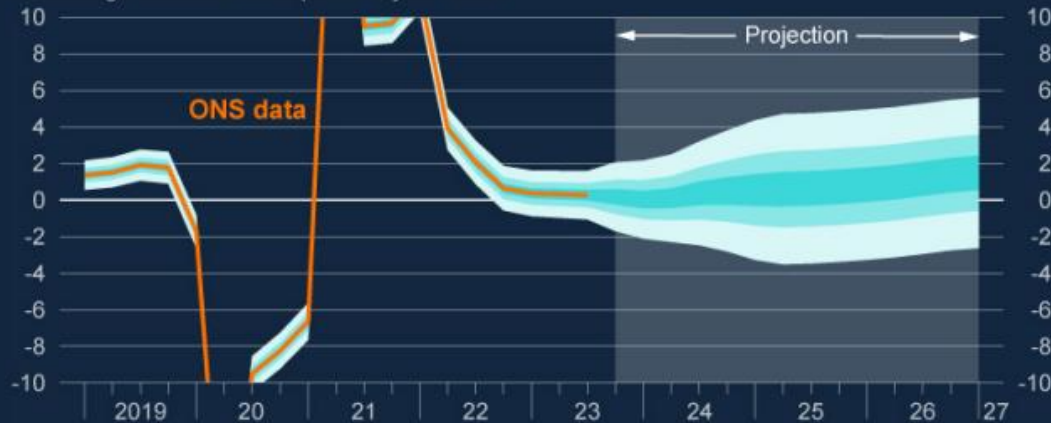
# The Future

## Economic Outlook

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

Chart 1.2: GDP growth projection based on market interest rate expectations, other policy measures as announced

Percentage increases in output on a year earlier



Source: [Bank of England Monetary Policy Report February 2024](#)



# 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 (%)
<b>2023</b>	<b>Jan</b>	124.8	8.8	-0.4	126.4	10.1	-0.6	115.9	3.8
	<b>Feb</b>	126.0	9.2	1.0	127.9	10.4	1.1	116.2	3.9
	<b>Mar</b>	126.8	8.9	0.7	128.9	10.1	0.8	116.6	4.0
	<b>Apr</b>	128.3	7.8	1.2	130.4	8.7	1.2	116.9	4.0
	<b>May</b>	129.1	7.9	0.6	131.3	8.7	0.7	117.5	4.2
	<b>Jun</b>	129.4	7.3	0.2	131.5	7.9	0.1	118.1	4.4
	<b>Jul</b>	129.0	6.4	-0.3	130.9	6.8	-0.4	118.6	4.5
	<b>Aug</b>	129.4	6.3	0.4	131.3	6.7	0.3	119.2	4.8
	<b>Sep</b>	130.1	6.3	0.5	132.0	6.7	0.5	119.8	5.0
	<b>Oct</b>	130.2	4.7	0.1	132.0	4.6	0.0	120.6	5.4
	<b>Nov</b>	130.0	4.2	-0.1	131.7	3.9	-0.2	121.1	5.3
	<b>Dec</b>	130.5	4.2	0.4	132.2	4.0	0.4	121.6	5.3
<b>2024</b>	<b>Jan</b>	130.0	4.2	-0.4	131.5	4.0	-0.6	122.1	5.4

Source: [Consumer price inflation, UK - Office for National Statistics](#) 22.02.24



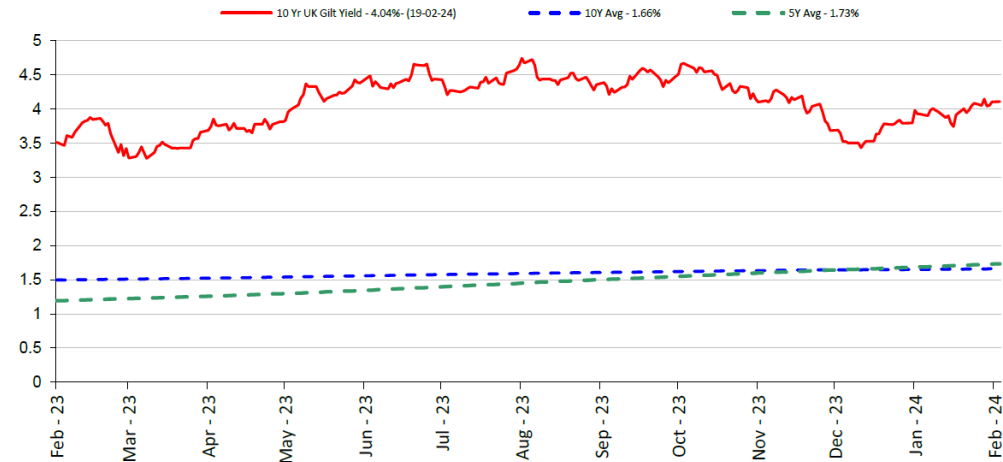
# The Future

## Investment Market Outlook

> Resurgence in inflation the risk, otherwise...

> High quality bonds and selective equities good value

UK 10 Yr Gilt Yield

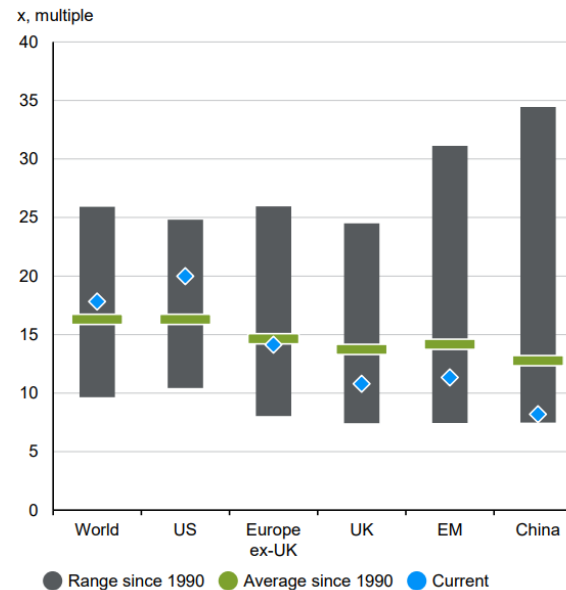


Source: Bloomberg, 19.02.2024

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



Global forward P/E ratios



Source: Guide to the Markets - UK (jpmorgan.com), February 2024



# Factors Shaping the Economy

Past – Inflation, Interest Rates and Market Losses

Present – Falling Inflation, Economic Resilience and Conflict

Future – Politics, Interest Rate Cuts and Investment Market Outlook

The logo for futureMoney, featuring a blue chevron symbol followed by the word "future" in blue and "Money" in purple.A graphic for a quarterly update. It features a dark blue background with a white rounded rectangle containing the "futureMoney" logo. Below the logo, there is a stylized graphic of light blue lines with dots at their ends, resembling a network or data flow. To the right of this graphic, the text "QUARTERLY UPDATE" and "MAKING SENSE OF MARKETS" is written in white, bold, uppercase letters.

QUARTERLY UPDATE  
MAKING SENSE OF MARKETS

The logo for futureMoney, featuring a blue chevron symbol followed by the word "future" in blue and "Money" in purple.



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## How do we support you?

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.

**Post-Settlement - Specialist Financial Advice** - We work with both Professional Trustees and Court Deputies to implement strategies to meet current and future obligations. We understand that, where the capital has come from an award of personal injury damages and claimants cannot earn a living any more, their damages award is vital to their future financial wellbeing. As their circumstances change over a lifetime, we can adapt their financial plans and investment strategies accordingly.

As a firm of Chartered Financial Planners we will work to understand the balance between your client's need for present cashflow and the long-term capital preservation that can protect future income.



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**Cash Management Services** - Providing a range of services for powers of attorney, court of protection deputies and trustees. This includes searching for the most competitive rates from instant access up to 5 years and/or structuring the cash portfolio under the Financial Services Compensation Scheme (FSCS).

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The value of investments and the income derived from them can fall as well as rise

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

Source: Morningstar Direct for graphs unless otherwise stated



# Legal Sector Breakfast Briefing

## Q&A and Conclusion

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