Economic and Market Commentary
April 2023

Nothing much has changed in global economic terms so far this year.

After a very challenging 2022, all the same issues are still with us, whether it's inflation and rising interest rates, geopolitical tensions and the war in Ukraine, climate change or questionable leadership.

As we have commented on all these themes before, it's best to focus here on things that have changed in the last few months, which is why this document is rather shorter than most we prepare.

Probably the only "new thing" worth mentioning is the collapse of Silicon Valley and Signature banks in the US and the perilously close call with some larger banks, notably Credit Suisse.

The fact that persistently high interest rates would cause a lot of damage was never in doubt, as the world is not well placed to cope with them, and we were optimistic that this would discourage the central banks from taking things too far and throwing the baby out with the bath water.

We still are, and the near miss in terms of a serious financial collapse caused by the recent bank crisis must surely be giving the decision makers some motivation to take a bit more care, especially as there remains so much evidence that this global inflationary period is driven by supply constraints more than excessive demand.

However, there is no clarity over what central banks might do next, so markets are treading water, waiting to find out. While they do that, we are seeing the speculators oscillate between mildly positive and mildly pessimistic, with no news flow yet to push them further in either direction.

Against this background it seems reasonable to think we may have some pretty dull weeks or even months ahead in terms of stock markets, with price fluctuations but little in the way of any significant or enduring change. In time, we should see inflation fall back as supply and demand get back into equilibrium and, with that, we can expect to see the period of rising rates come to an end, and probably reverse.

In our view, once markets can see that on the near horizon, they are likely to respond very positively, but until that they will probably continue to go nowhere much at all, rudderless and a tad stuck in the Doldrums.

That might not sound very good, but actually it probably isn't too bad either.

In recent times we have seen the equity markets used far too much as a short-term gambling arena rather than a way to invest over the longer term for income and potential capital growth. A period that discourages speculation and encourages a rethink on what investors should be seeking, would be welcome.

For most investors the overriding objective with invested capital is either to generate income or to give their money a chance to grow in value, ideally after accounting for inflation. For many, it is a mixture of these, as they need not be mutually exclusive.

Allocating capital to funds investing in equities (shares), real estate or infrastructure seems the rational choice for anyone with these objectives, especially if the investments generate dividends or other forms of income. That way, the investor is well rewarded for simply holding them and doesn't need to worry too much about what they are worth to sell, unless they need to spend the capital, for one reason or another.

Investors shouldn't, therefore, worry about a period like this. They may not be seeing their investments rise in value much, or may see them falling a bit, but the dividends are still arriving, and it seems highly probable that patience will be rewarded when this tricky patch is over.

It is also worth saying that, while markets are, as always, obsessing over current developments, it feels they are not really looking at the bigger picture but are getting bogged down in what may happen in the short term, rather than what really matters, which is what the future holds over the medium to long term.

As we have said so often, this is the natural order of things for the investment markets, as their short-term behaviour is dominated by speculators, not investors.

To recap our overriding investment philosophy, we believe speculating on short term events is little more than gambling and not the activity of a sensible investor. This means our advice is based on the bigger picture and our take on durable themes, rather than a reaction to short term volatility.

The durable themes we currently subscribe to are that companies will continue to generate profits and investors will continue to be handsomely rewarded over the medium to long term in exchange for tolerating the volatility of capital values so frequently experienced in the shorter term.

Another core theme of ours is that a portfolio should be deployed on a global basis, be well diversified to mitigate risk and should be monitored to help keep it up to date with changes in the relative attractions of different sectors and geographic regions.

The advice we give to our clients in our scheduled portfolio reviews reflects these themes, as always.

Important Notes

Any opinions expressed on the merits or disadvantages of any options are intended as a general comment only and not as specific advice to the reader.

This document is intended as a supplement to full independent advice and not as a replacement for it and should be read in conjunction with any personalised recommendations provided by Atkins Bland Ltd and with any product brochures supplied.

The value of investments will fall as well as rise, as can any income produced. Inflation can reduce the real value of capital and the income it generates.

Past investment performance is not a reliable guide to the future.

Any reference to taxation, regulation or legislation is based on our current understanding and details should be checked before any reliance is placed upon its accuracy.

The impact of taxation and tax planning depends on individual circumstances and may be subject to change, which can be retrospective.

Errors and omission excepted

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