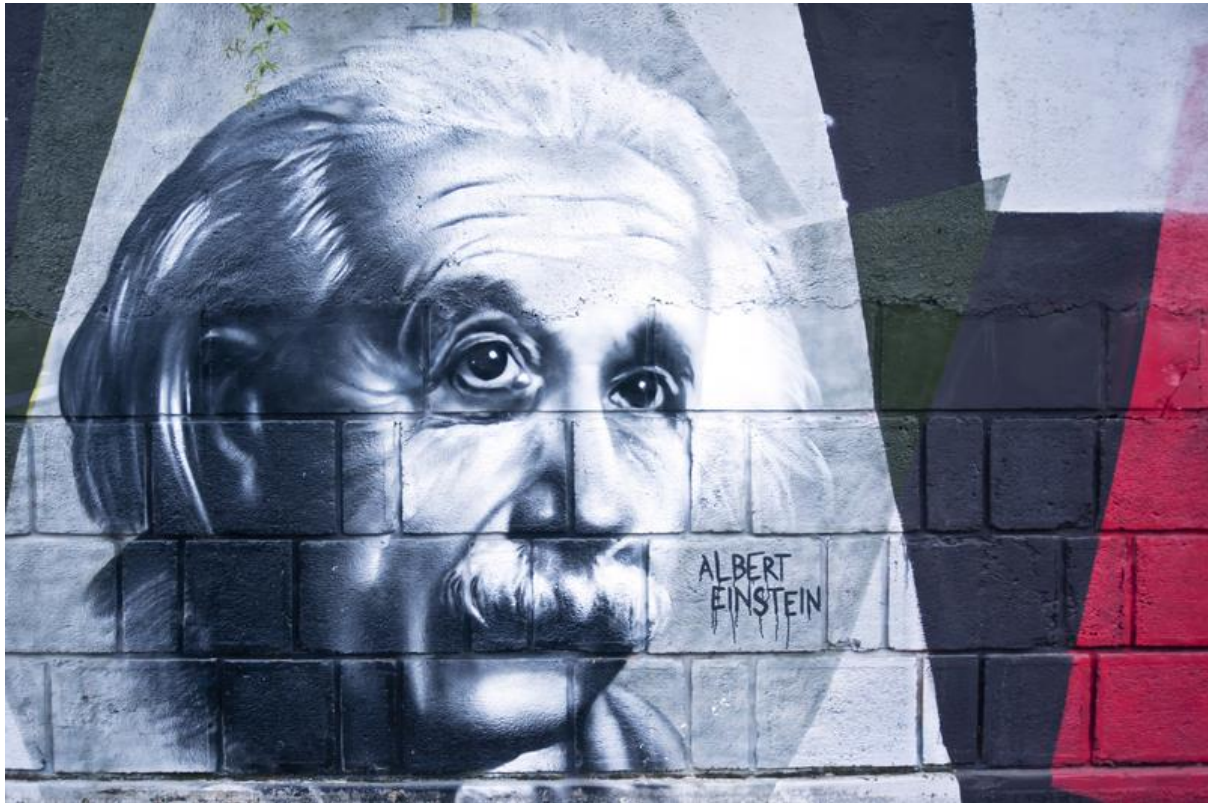


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## MARKET VIEWS – OCTOBER 2023



"Everything should be made as simple as possible, but not simpler." – Albert Einstein.



**ClimateHero**

**We offset our calculated  
carbon footprint by  
200% with ClimateHero**

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Go to [climatehero.me](https://climatehero.me) and calculate your carbon footprint in 5 minutes!

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### **At a glance**

- Investor sentiment has collapsed from greed to fear.
- Time in the market, however hard, is better than trying to time the market.
- Not all markets are expensive.
- 10 to 15-year asset return expectations favour China, Europe, Japan, Emerging Markets, Asia and the UK.

## **Overview**

This September saw several anniversaries:

22 years since 9-11

15 years since Lehman Brothers Collapsed

One year since the Liz Truss budget

Each of these events has had a profound impact on our lives.

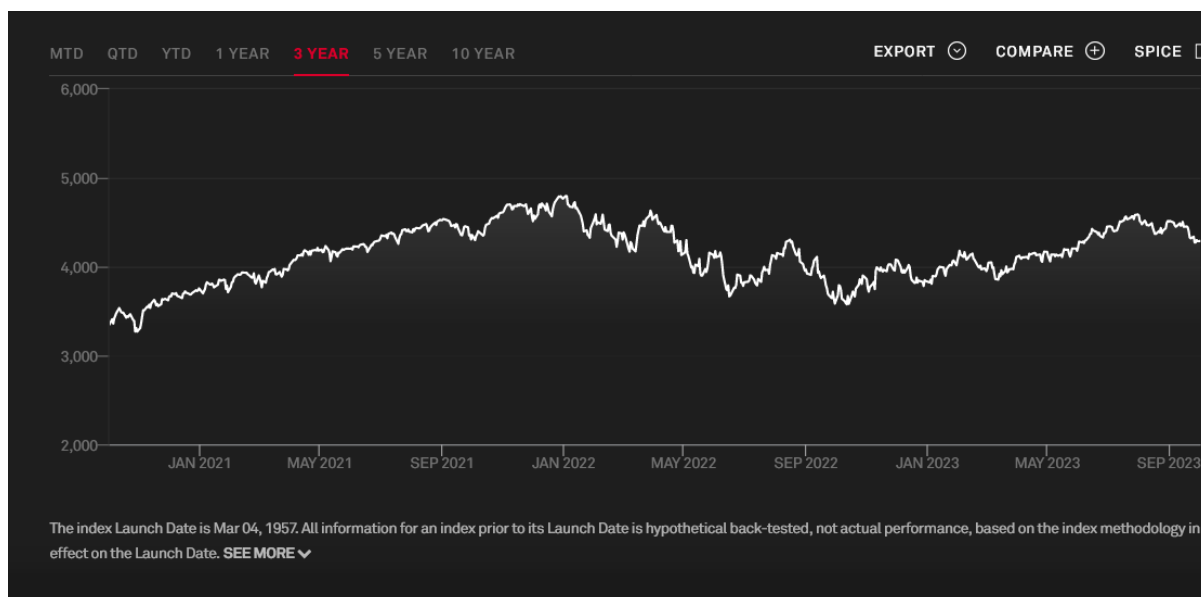
The governments in power in 2008 mostly lost their seats at the first available opportunity—those coming in faced an uphill struggle, using extreme measures to stimulate economies. What followed was a period of low interest rates and low inflation. At the same time we have seen a growing disenchantment with the elite and the growth of populism as the wealth gap widened.

There was always a fear that, at some point, what had been implemented following the Great Financial Crisis in 2008 would have to be unwound. COVID-19 and the war in Ukraine were two events which finally pressed that reset button.

So, the question is, where do we go from this point?

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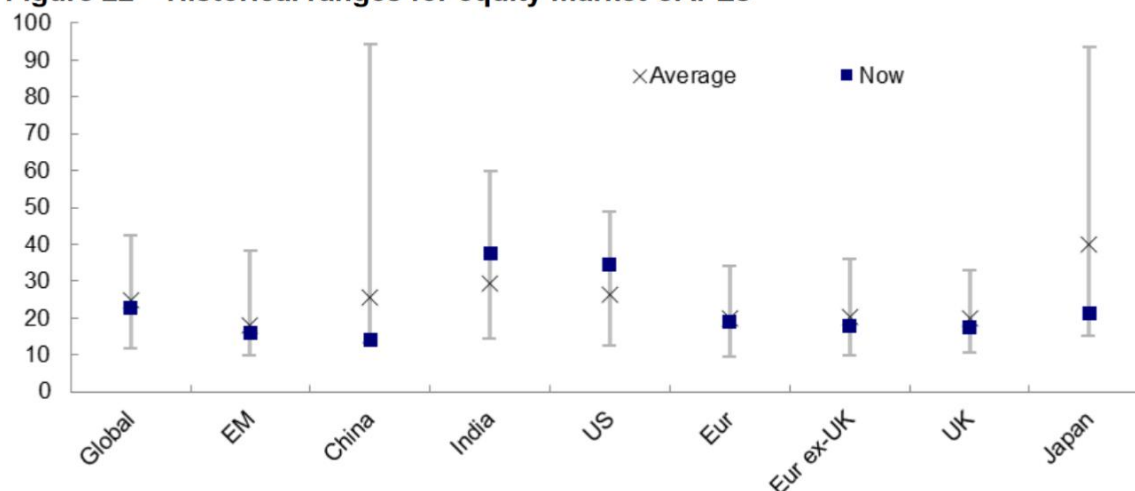
It is interesting to reflect on the S&P 500.



Investors point to its success this year; year to date it is up +11.69%. However, the S&P as of 31 December 2021 was 4,766. Today it stands at 4,288. Much of the growth has been driven by a small group of stocks.

Just because the S&P 500 appears expensive, it doesn't mean that all markets are, as is shown in the chart below:

**Figure 22 – Historical ranges for equity market CAPEs**



Note: CAPE = Cyclically Adjusted Price/Earnings and uses a 10-year moving average of earnings. Based on daily data from 3 January 1983 (except for China from 1 April 2004, India from 31 December 1999 and EM from 3 January 2005), using Datastream indices. As of 31 August 2023.

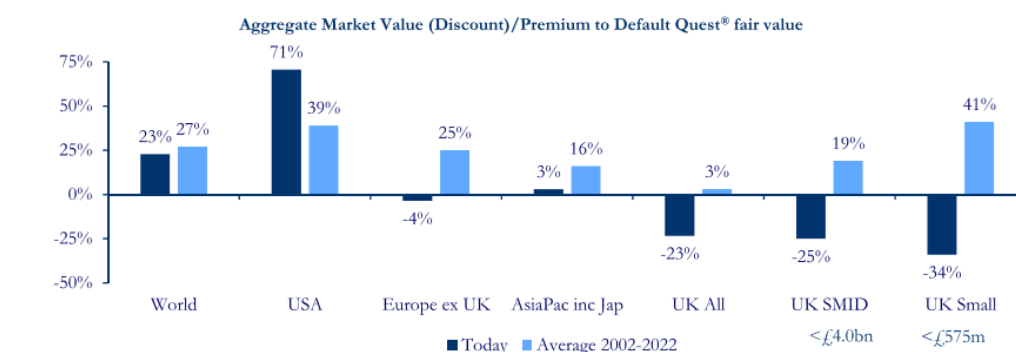
Source: Invesco

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Within this there are even more significant discounts, whether in smaller companies or investment trusts trading at discounts last seen in 2008 and 2009. The chart tells us that even a tiny shift in sentiment and a movement of funds could have a profound positive impact on the unloved parts of the market.

US equities peaked at >100% premium to Quest during 2021

UK equities trade at the largest discount to Quest® fair value of major markets

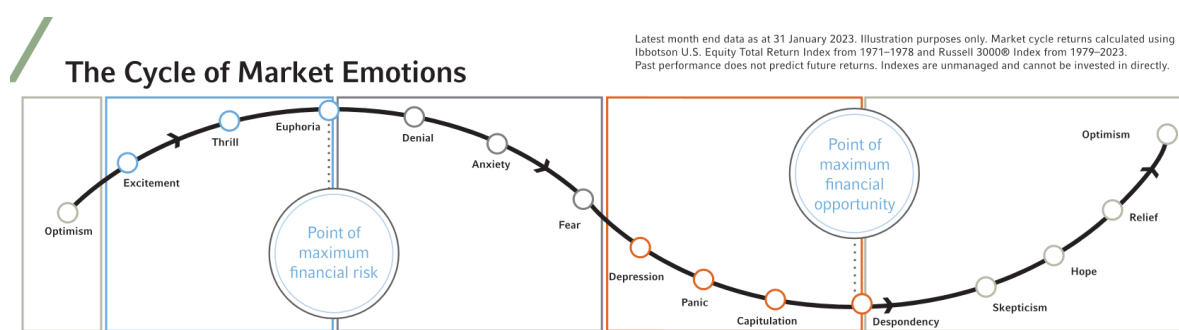


Number of companies <sup>1</sup>	17,513	3,475	2,431	8,904	1,069	977	750
Market cap total	£95trn	£47trn	£12trn	£26trn	£2.4trn	£330bn	£53bn

- Fundamental over and under valuation not difficult to spot

Source: Odyssean

The burning question is when will this happens and what returns could we see from this point?

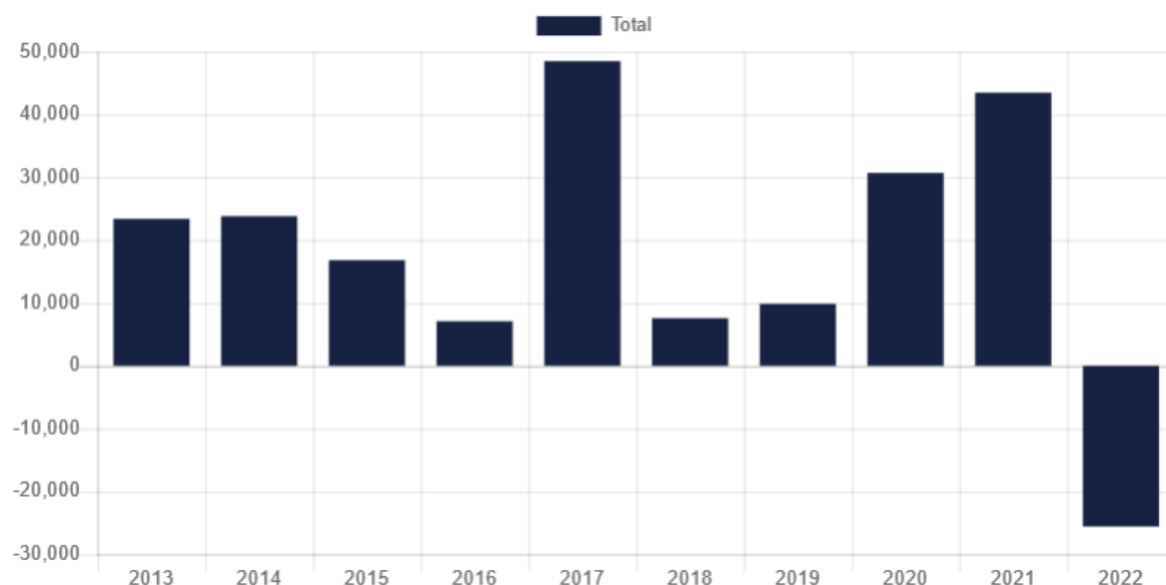


Source: Russell Investment

The chart above is essential. We believe we are in the orange box and likely at the point of capitulation.

The chart below shows money movement into funds over the last ten years, and we can see money flowing out in 2022.

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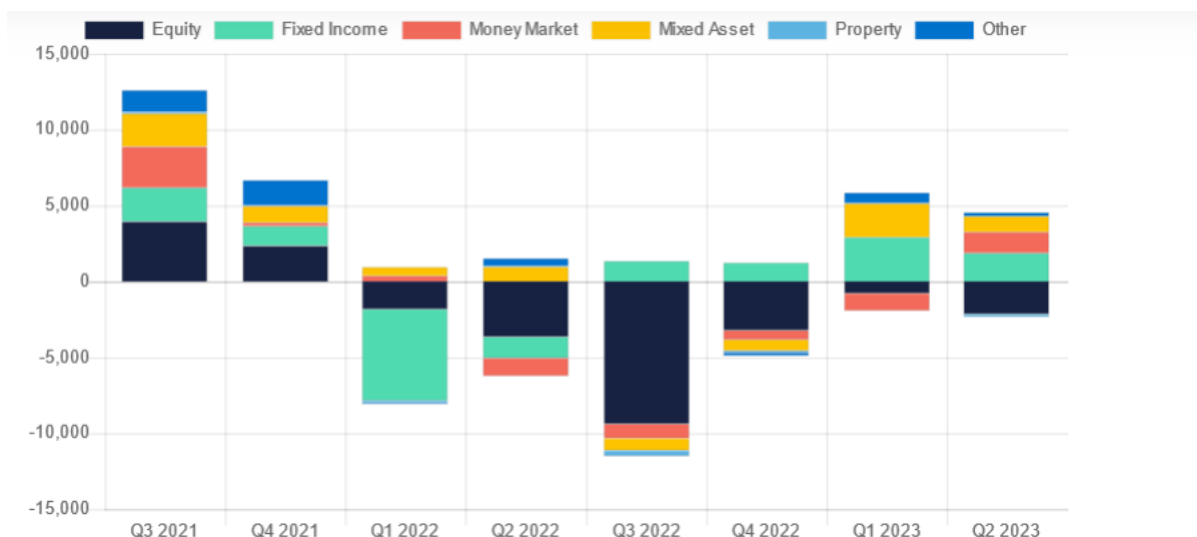
### Notes

- Figures: All figures are in £ millions. Figures have therefore been rounded to the nearest £ million. Where a chart shows a value of £0 - this indicates a figure below £500,000.
- Revisions: Each month small revisions to the figures may have been made since the previous release. This reflects additional information received.
- All sales and repurchases to funds of funds are included. To avoid double counting, transactions between funds of funds and their underlying funds are excluded from January 2010.
- Prior to January 2012, data is presented on a UK Domiciled basis. For more information see here: <http://www.theinvestmentassociation.org/assets/files/consumers/UKInvestorwebsiteQA.pdf>

Source: Investment Association

The chart below shows figures up to 31 July 2023. What it is showing is that equity markets are unloved.

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## Notes

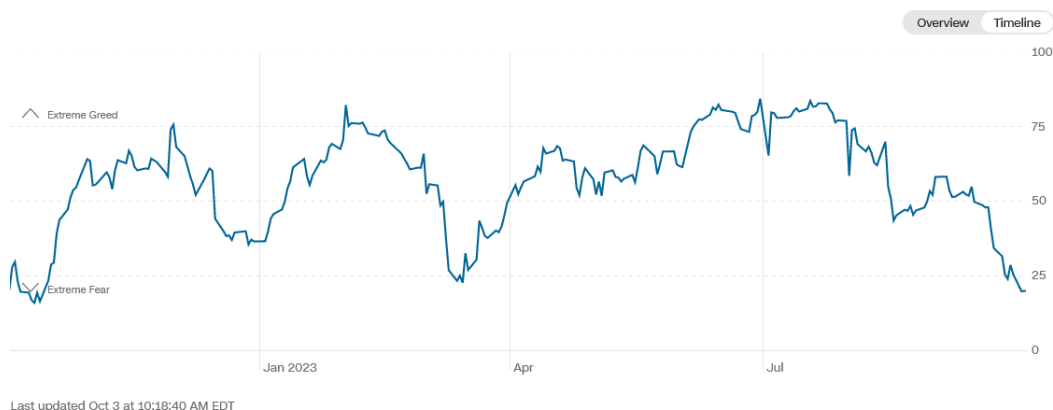
- **Figures:** All figures are in £ millions. Figures have therefore been rounded to the nearest £ million. Where a chart shows a value of £0 - this indicates a figure below £500,000.
- **Revisions:** Each month small revisions to the figures may have been made since the previous release. This reflects additional information received.
- **Asset types:** (Equity, Fixed Income etc) are defined in terms of the Investment Association sectors included. To see which sectors are allocated to each asset type, see the table 'Statistics by sector - Sector summary - asset type by sector'.
- All sales and repurchases to funds of funds are included. To avoid double counting, transactions between funds of funds and their underlying funds are excluded from January 2010.

Source: Investment Association

One other chart to share is this:

## Fear & Greed Index

What emotion is driving the market now?  
[Learn more about the index](#)



Source: CNN Fear and Greed Index

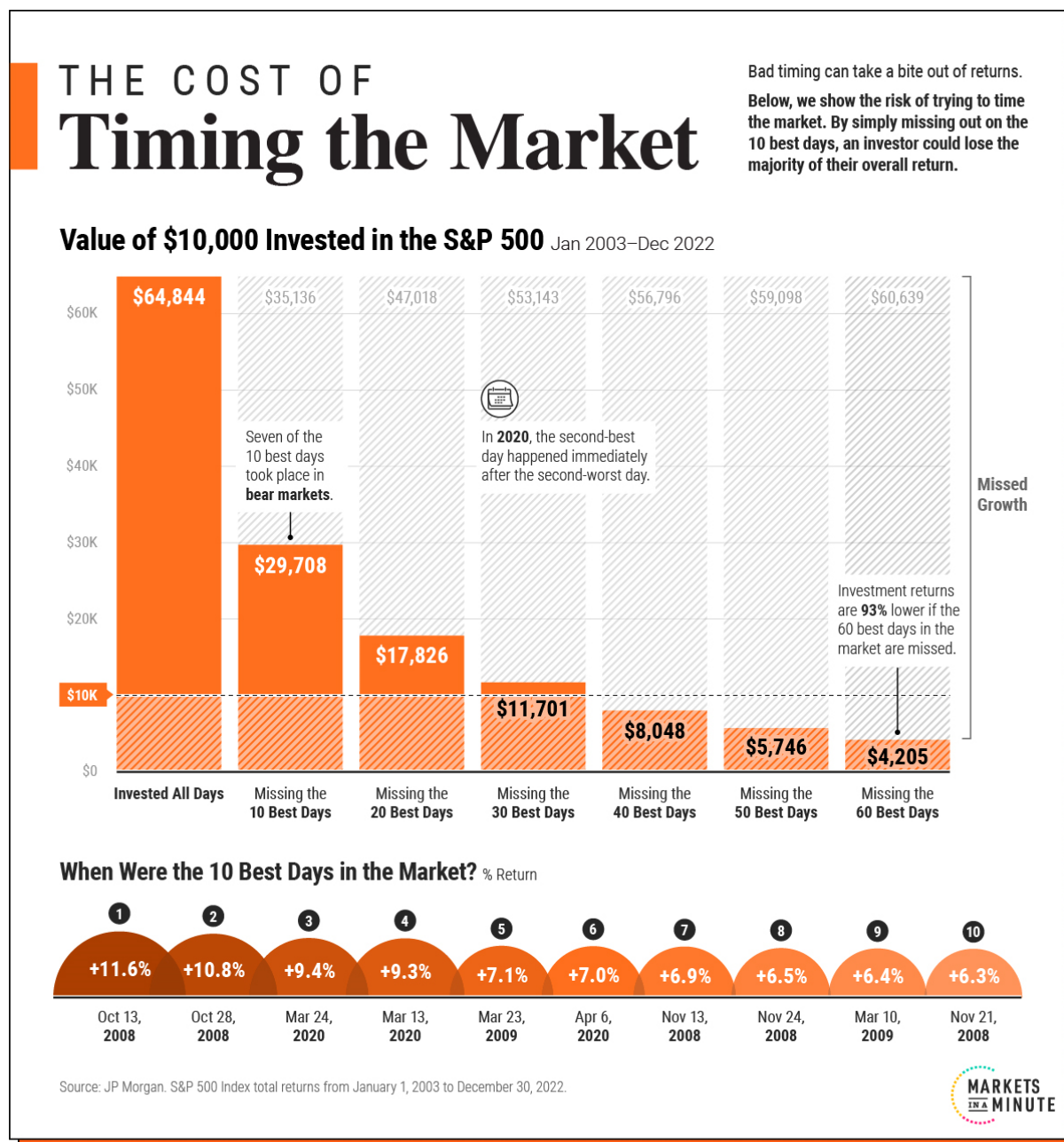


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This is an excellent guide to sentiment in the US. It looks across different factors but shows a collapse in sentiment as fear has overtaken greed.

Now is the time to hold steady because it is the most challenging point.

The chart below is based on the US market.



RESEARCH + WRITING Dorothy Neufeld | DESIGN Miranda Smith



[/visualcapitalist](#) [@visualcap](#) [visualcapitalist.com](#)

Source: Virtual Capitalist

We will share our thoughts across the regions, but ending with this chart is worthwhile. We look at data from BlackRock and JPMorgan to gain views on market returns.

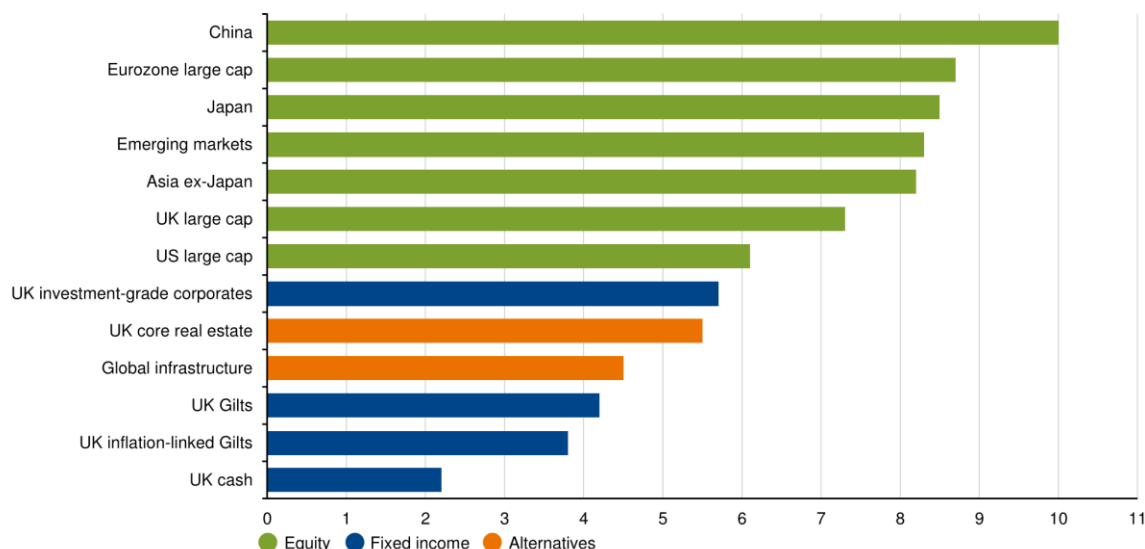
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## Asset return expectations

GTM UK 81

### 2023 Long-Term Capital Market Assumptions expected returns in coming 10-15 years

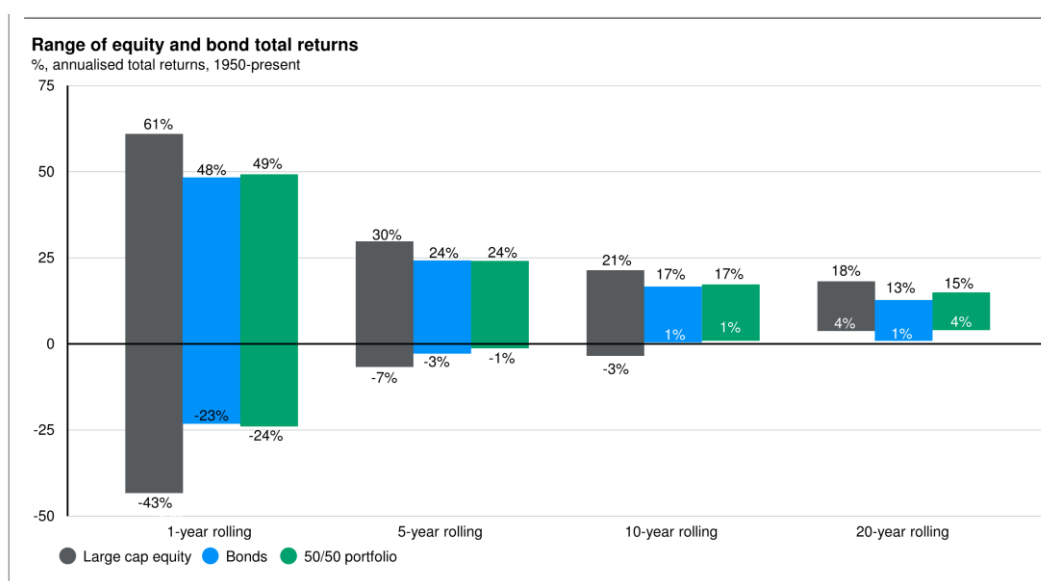
%, annualised return in GBP



Source: JP Morgan Guide to Markets

If you were to take one thing away, it is this. We have been in a challenging period since January 2022. Data would suggest we are near the point of capitulation, and if this is the case, then based on past data, to benefit from a recovery means holding firm. However, the waiting can be unnerving for those who have not experienced 2000 – 2003 and 2008 – 2009.

Ultimately, it is worth reflecting that time in the market is better than timing the market. The chart below is a perfect place to conclude. Based on US markets, this shows that the longer the investment period, the more likely returns will be positive.



Source: JP Morgan Guide to the Markets



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*General disclaimer: The data has been sourced from external sources (the charts, for example, are from FE), and although we have looked to ensure this is as accurate as possible, we are not responsible for the data they supply.*

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