



March 2024

NUGENIS NEWS



Financial planning for a *brighter* wealth

Investment Commentary

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Market overview

February was a positive month overall for equity markets with all major developed market indices rising. Emerging markets also rose quite strongly, substantially recovering the losses in January. In contrast, most areas of the fixed income market fell over the month.

The key positive driver for equities was a continued stream of better-than-expected earnings announcements, most notably in the US. Strong results from Nvidia and Meta, two members of the so-called 'magnificent seven', stole the headlines, however investors were encouraged with over 75% of companies beating analyst expectations to date. The US economy continues to prove resilient, and stronger-than-expected manufacturing and labour data also served to push the S&P 500 Index higher.

Outside the US the Japanese market also continued its excellent run this year, rising another 5% in February to bring the year-to-date return to 13%. Improving earnings expectations were again the key driver, with overseas earnings bolstered over the month by a slight weakening in the yen versus the US dollar. European markets rose just under 3%, encouraged by some better economic data. The UK was marginally up, but continued to lag its developed peers as data pointed to a technical recession in the second half of last year resulting in analysts downgrading their profit outlook for 2024. Emerging markets were bolstered by a sharp recovery in the Chinese market, which rose over 8% on the back of some government initiatives aimed at supporting both the economy and the stock market.

The backdrop of unexpectedly resilient economic growth shaped a more hawkish view over the month, which put pressure on fixed income markets. UK gilts and US treasuries both fell over 1%, however some less rate-sensitive higher yielding sectors of the market proved resilient.

Strategy Positioning

We remain optimistic on the outlook for equities, which should be well supported by an improving earnings and economic outlook over the course of this year and into 2025. Overall, we believe that valuations look relatively undemanding, and we retain core allocations to the US and Asia which we believe offer the prospect of superior economic and earnings growth looking ahead. However, it is encouraging to see market leadership broadening and real strength from areas such as Japan, which we allocated to last year.

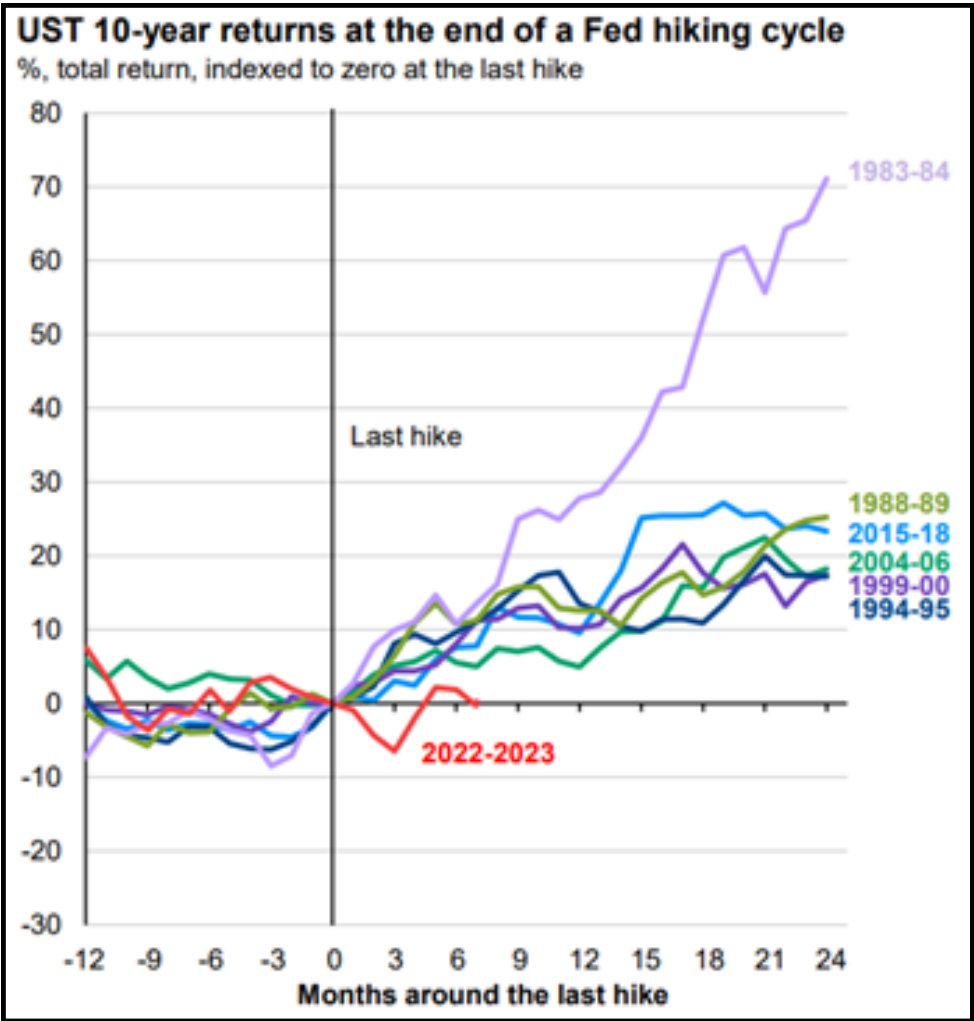
We continue to look to skew portfolios to areas and themes that we believe will enjoy superior levels of growth going forward, such as companies set to benefit from the structural growth in sustainable energy and from advances in artificial intelligence.

Expectations remain for key central banks to reverse interest rate policy during this year, and we have been increasing both credit risk and interest rate risk (duration) over the last few months to benefit from this. The recent more hawkish sentiment, which we believe will be temporary, and rise in gilt yields has provided us with an attractive opportunity to further increase duration, and we have therefore purchased a longer-dated gilt tracker as an efficient way of doing this. This has been funded by a further partial reduction in our alternatives holdings.

Continued resilience in the US economy should support the US dollar and we remain comfortable with our exposure. It also provides a useful hedge to any potential further weakness in the UK economy, or potential political concerns, which could trigger sterling weakness from current levels.

The investment opportunity in fixed income

Looking back over the last six rate hiking cycles in the US, going back to the 1980s, Treasury bonds have produced excellent returns over the two years following the last rate hike.



Source: J.P. Morgan Asset Management – Guide to the Markets, 4 March 2024.



Protecting your financial wellbeing

Good financial management is essential when it comes to protecting your own financial wellbeing. Feeling financially secure is not only one less thing to worry about, it can also have a positive effect on your overall mental and physical health. In this month's article we look at the link between money and wellbeing, and how your Financial Planner can help you look after both.

The last several years have been characterised by uncertainty. While we've largely recovered from the pandemic and its aftermath, 2022 and 2023 brought new challenges, with many of us having to tighten our belts due to a cost of living crisis caused by steep increases in the price of essentials and rising interest rates.

These types of financial challenges can be a major cause of stress. A recent survey from The Mental Health Organisation¹ revealed that almost one-third (31%) of UK adults felt anxious in the previous month due to their personal financial situation. Money worries in any form can also take a heavy toll on other parts of our lives, potentially creating a spiral which impacts both wellbeing and finances. A 2023 survey by the Money and Mental Health Policy Institute² revealed a close link between money and mental health. More than eight in ten (86%) respondents with mental health problems said their financial situation had made their mental health problems worse, while nearly three-quarters (72%) said their mental health problems had made their financial situation worse. Addressing our own financial wellbeing should therefore be seen as a priority.

Financial wellbeing

What do we mean by financial wellbeing?

Most of us understand the concept of wellbeing. Many things can affect our overall sense of wellbeing – for better or worse – from getting married or celebrating a milestone, to managing a health condition or coping with bereavement.

Financial wellbeing can mean different things to different people. On the whole, positive financial wellbeing stems from knowing that finances are in order and on the right track to achieving long term goals. Conversely, concerns about affordability or budgeting can negatively impact financial wellbeing.

Peace of mind

Feeling in control of your finances and making the most of them is paramount when it comes to protecting your financial wellbeing. You need to think about building financial resilience so that you are confident that you have enough money now, and for the medium and long term.

This starts with having enough cash to cover unexpected expenses. Your Financial Planner will work with you to help you understand how much cash you should aim to keep readily accessible to cover both emergencies and planned expenditure over the next year. It's also about saving and investing tax efficiently, for example through ISAs and pensions to help secure your financial future. They will ensure your financial priorities are considered to create a financial plan that works for you.

Coping with the unexpected

Few of us anticipated the global pandemic and its aftermath, or the soaring inflation we've seen over the last 18 months. No one likes to think about the worst happening, but having a plan in place to protect your financial security if life changes unexpectedly can be hugely reassuring. According to the latest Financial Lives survey by the Financial Conduct Authority, which regulates financial advice, only half of UK adults hold any protection products. These insurance policies include such things as life assurance to provide a lump sum if a family member dies unexpectedly, income protection which replaces your income if you cannot work for a period for health reasons, and critical illness cover which can help clear debts or provide a lump sum if you are diagnosed with a serious health condition.³

Considering what insurance and protection policies you may need to cover essential costs following a life-changing event, such as health issues or bereavement, can be beneficial to your current financial wellbeing for the peace of mind it provides. Your Financial Planner will be able to advise you about the range of protection/insurance policies available, and discuss if any may be suitable for your circumstances to safeguard your financial security if the unexpected occurs in the future.

Being in control

We're here to help you in the tough times as well as the good. One way to really bring your finances to life and check the strength of your financial plan in different circumstances is through cashflow modelling tools. For example, these can help you visualise the impact of inflation on your future finances, or see what effect a sudden drop in your income would have on the ability to afford your desired lifestyle.

This is particularly important if you are or you're planning to draw money out of your pensions or investments, as it can show whether this is financially a good idea. If this analysis shows that the action you're considering now could negatively impact your long-term financial security your Financial Planner will be able to tell you and, if necessary, help you amend your plans.

By regularly reviewing and 'strength testing' your plan, we can make sure you stay on track to meet your financial goals, amending the plan as necessary to cope with any changes in your circumstances.

Talk to us about any concerns you have about your finances and we'll help you find a way forward, adapting your financial plans if necessary. We can't predict the future, but we can help you stay in control of your finances whatever happens, so you can focus on enjoying life right now.

Next steps

Your financial wellbeing is important to us. If you'd like to discuss your financial plan or let us know of any change in your circumstances, please get in touch. You don't need to wait until your annual review.

¹ <https://www.mentalhealth.org.uk/about-us/news/cost-living-still-causing-widespread-mental-distress-new-data-shows>

² <https://www.moneyandmentalhealth.org/wp-content/uploads/2023/07/Breaking-the-Cycle-July-2023.pdf>

³ <https://www.fca.org.uk/publication/financial-lives/fls-2022-general-insurance-protection.pdf>

CONTACT US

Nugenis Financial Planning Limited
5 Oak Tree Court
Mulberry Drive
Cardiff Gate Business Park
Cardiff CF23 8RS

029 2050 8000

JustAsk@nugenisfp.co.uk

nugenisfp.co.uk

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