ForresterHyde
CHARTERED FINANCIAL PLANNERS

Investment Outlook

Autumn 2023

www.forrester-hyde.co.uk

"Life can only be understood looking backwards; but must be lived forwards." - Søren Kierkegaard - Philosopher

Introduction

The much-anticipated US recession has proven elusive so far in 2023. Both demand and supply-side factors have played a key role in maintaining the buoyancy of global activity. Despite nearing the peak of the fastest rate-hiking cycle in history, the effects on the underlying economy are yet to materialise, and the extent will only become evident over time.

Forward-looking indicators, such as the US Treasury yield curve, continue to indicate weaker growth moving forward. Notably, the 10-year Treasury yield remains below that of the 2-year yield. This yield curve inversion, where the interest on 2-year US government bonds surpasses that on 10-year bonds, departs from the norm of longer-term bonds carrying higher yields to compensate the additional risk. This signal has historically indicated a recession. Additionally, ongoing financial tightening is evident from surveys of bank lending standards and credit demand. Our view is that a US recession is still on the horizon.

Investors are nervous about the possibility that the Federal Reserve might be overly fixated on inflation, and as a result may extend its tightening policy. The minutes from the July meeting of the Federal Open Market Committee (FOMC) struck a cautious tone. For those who anticipated clear guidance from Jerome Powell's highly anticipated speech - pictured above - at the Jackson Hole event recently, were left unsatisfied. He upheld the Federal Reserve's objective of 2% inflation and hasn't dismissed the possibility of further increases in interest rates. He also acknowledged the difficulty of knowing how restrictive monetary policy is at any given time, likening it to "navigating by the stars under cloudy skies." This was a concerning reminder as we approach the autumn season.

Overall, recession risks remain evident for major Western economies, and a phase of subpar growth seems poised to persist. The lagged repercussions of monetary policy adjustments and stringent lending standards cast a shadow on our optimism for specific equity sectors. The current equity risk premium falls short of adequately reflecting market uncertainties or justifying a preference for equities. Nevertheless, select opportunities remain, such as the allure of higher-quality bonds, characterised by appealing yields, and the potential for price increases should we see a future reversal in the rate-hike trend. We are currently maintaining a cautious stance, yet we remain prepared to take action if necessary. Specifically, we will be observant for weaknesses in the market or any indications of improved momentum in economic data before considering the possibility of adding to our existing equity holdings.

Our portfolio positioning incorporates the annual strategic asset allocations published by Morningstar, a prominent leader in asset management with assets under management exceeding $249 billion. Anchored by their 20-year forecasts, we make tactical modifications to address near-term risks or opportunities. These modifications are reinforced by a 'risk matrix' encompassing 8-12 premier investment firms, which execute an impartial evaluation of our tactical overlays. Morningstar's 2023 annual update closely aligns with our prevailing stance, and their changes are summarised throughout.

UK Equity

UK inflation is moderating. In July, the Consumer Price Index (CPI) dropped to an annual rate of 6.8%, while core inflation remained steady at 6.9%. Lower utility prices due to a reduced Ofgem price cap played a role in this trend, with month-on-month declines seen across a wide array of goods and services. It is important to note that despite this decrease, inflation remains above the Bank of England's 2.0% target which allows for further tightening. See market expectations in the chart below.

The Bank of England's August 2023 meeting resulted in a 25-basis point increase in the policy interest rate to 5.25%. This move marked the 14th consecutive increase since 2008. The decision was driven by ongoing concerns about inflation and received a 6-3 vote within the Monetary Policy Committee, indicating that differing views remain. As a result, the UK's economic outlook is clouded by continuous monetary tightening and persistent inflation. For the first time since 1961, the UK's public debt now exceeds GDP. The financial crisis, the Covid-19 pandemic and Russia's invasion of Ukraine have prompted unduly high spending.

The FTSE All Share has faced challenges primarily due to its limited exposure to the technology sector. Our stance remains cautiously positioned, maintaining an underweight allocation.

As previously highlighted, UK-listed companies are currently trading at a discount when compared to their international counterparts. Most sectors are valued below their historical averages, with smaller companies being particularly impacted by the prevailing rising interest rate environment. Despite a period of reduced merger and acquisition activity, the UK has seen 16 transactions announced this year, each valued at a minimum of £100 million, with 12 involving private equity.

Morningstar has further reduced its allocation to the UK. This has been redirected to US equities, aligning with our current views. This adjustment is in line with consistent outflows from UK equities, now extending over 26 consecutive months. This quarter, our strategy continues to shift towards greater global diversification, with the intention of maintaining the underweight position in UK equities. According to the latest fund flow data from Calastone, global funds have seen inflows of £51.3 billion since 2015, by contrast to just £909 million for all other geographical categories.

We are underweight to our benchmark.

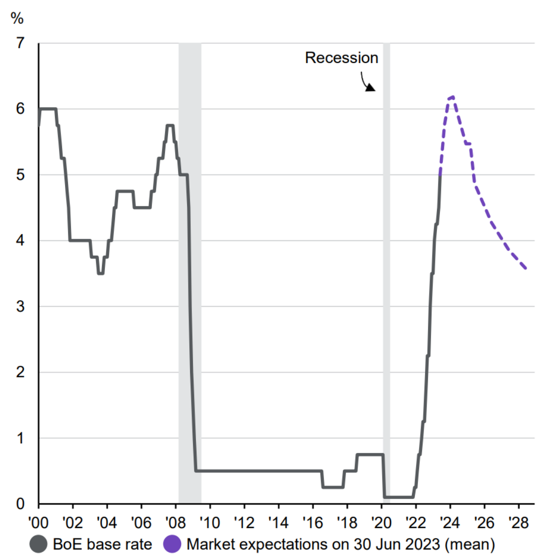
Key Points

- In July, the Consumer Price Index (CPI) dropped to an annual rate of 6.8%.
- The Bank of England's August 2023 meeting resulted in a 25-basis point increase in the policy interest rate to 5.25%.

Fig 2. Forrester-Hyde UK Fund v Sector Average Returns
Source: FE Analytics 25/08/2023

UK Funds	1-year	3-year
FTF Martin Currie UK Equity Income	0.04	28.04
LF Gresham House UK Multi Cap Income	2.54	27.77
Man GLG Undervalued Assets Professional	8.26	44.95
Royal London Sustainable Leaders Trust	2.06	17.30
Sector: UT UK All Companies	**0.55**	**20.80**

Fig 1. Bank of England policy rate expectations
Source - JPM Guide to the Markets Q3 2023



US Equity

The US stock market is experiencing an unprecedented increase in its reliance on a small group of mega-cap names, which could potentially signal trouble ahead. Currently, the seven largest US stocks constitute 28% of the total market capitalisation of the S&P 500 index. These seven stocks are Apple, Alphabet, Microsoft, Meta, Amazon, Tesla, and Nvidia. Over the past six months, the average share prices of these companies had surged by 56%, in stark contrast to the S&P 500's modest 12% rise. This trend towards consolidation is primarily driven by the 'hype' surrounding artificial intelligence (AI).

While we maintain some exposure, our emphasis is on diversification. It is imperative that we exercise caution against concentration risk and excessive valuations in this market, which echo the situation observed in 2021. Please refer to the chart below, which illustrates the valuation of the US market in comparison to historical trends, alongside analysis that excludes the top 10 US stocks in the S&P 500. The optimism surrounding AI has upheld the momentum of US equities, but the current gains hinge upon anticipated earnings growth supporting these elevated valuations.

In July, the annual US inflation rate increased to 3.2% from June's 3%, slightly below the projected 3.3%. This change marks a cessation in the 12 consecutive months of decline, as inflation retreated from a peak of 9.1% a year earlier. As anticipated, the Federal Reserve raised the federal funds rate range by 25 basis points to 5.25% - 5.5%, reaching levels last observed in January 2001. The Fed chair Jerome Powell has defended their 2% inflation target and did not rule out further interest rate rises in his speech at Jackson Hole.

Any potential delay in the change of policy merits attention, especially as recent tightening effects become apparent. We continue to adopt a selective approach and avoid concentration risk by employing global fund managers who can allocate to high-quality companies regardless of their location.

We are introducing the TB Evenlode Global Equity fund into our Core Portfolios. Managed by Chris Elliott and James Knoedler since July 2020, this fund exhibits a preference for medium to large-cap, high-growth companies with robust balance sheets. The managers seek financially sound businesses that align with long-term themes and possess a competitive advantage, enabling them to maintain a high return on equity. We have an established relationship with the same team for our income-producing portfolios. Through this relationship we have secured a competitive Ongoing Charge Figure of 0.55%. We are now confident that we possess a core group of leading global fund managers who, coupled with unique discounted prices for Forrester-Hyde, enable us to deliver robust returns, which outperform the market over the long term.

We remain overweight to the benchmark.

Key Points

- In July, the annual US inflation rate accelerated to 3.2% from June's 3%.
- We are introducing the TB Evenlode Global Equity fund into our Core Portfolios.

Fig 3. Forward P/E ratio of the S&P 500 Source - JPM Guide to the Markets Q3 2023

European Equity

The European Central Bank (ECB) has implemented its ninth consecutive interest rate hike, raising rates by 25 basis points. This decision stems from the belief that inflation will persist at elevated levels despite recent deceleration. In July, consumer price inflation in the Euro Area stood at 5.3%, the lowest since January 2022. This decline can be attributed mainly to a further drop in energy prices.

Similar to the Federal Reserve, the ECB has also transitioned to a strategy that relies on near-term data for guidance. President Christine Lagarde has specifically identified the upcoming September meeting as a critical juncture, aligning her stance with that of the Fed. While the ECB maintains its data-dependent and open-minded approach, President Lagarde anticipates that there will be limited additional measures taken during this phase of tightening.

However, in contrast to the Federal Reserve, the ECB is likely to revise its growth projections downward. This is due to ongoing signals of weakening momentum, as indicated by leading economic indicators. The delayed impact of rising wages is also expected to influence profit margins, potentially leading to disappointing corporate earnings. As a result of these factors, we are prolonging our cautious position, consistent with our recent approach.

The Russia-Ukraine war, now in its second year, continues to cast a shadow over confidence. Looking ahead at energy supplies, Europe entered the post-winter period of the previous year with robust gas inventories compared to seasonal norms. This trend has persisted over recent months, with storage consistently nearing full capacity (see Fig 4 below). Despite the recent volatility in wholesale gas prices due to concerns over Chevron Liquid Naturall Gas (LNG) strikes, the strong inventory position bodes well for the upcoming winter. Electricity prices have also retraced to levels last seen in the summer of 2021.

To gain European exposure, we employ the LF Lightman European Fund. Their preference lies in low-priced equities with robust balance sheets and strong cash flow, particularly in supply-constrained industries. We anticipate that these companies will lead equity market performance over the next 12-18 months.

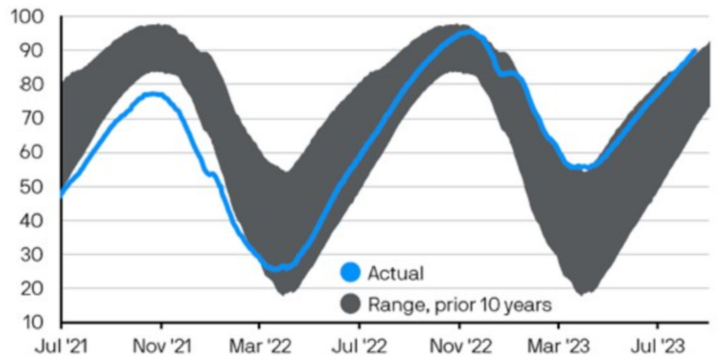
Morningstar has modestly shifted away from Europe, reallocating to Emerging Market and Japanese equities, as both regions continue to show valuation attractiveness. We have opted for allocation to global managers, as we believe that at this stage, returns will be more closely linked to company fundamentals rather than geographical location.

Through our global managers we have adopted a neutral position.

Key Points

- The European Central Bank (ECB) has implemented its ninth consecutive interest rate hike, raising rates by 25 basis points.

Fig 4. EU Natural Gas Inventories, % of capacity
Source: J.P.Morgan Asset Management August 2023



Japan Equity

Japan's annual inflation rate maintained its stability at 3.3%, surpassing market forecasts of 2.5%. During its July meeting, the Bank of Japan (BoJ) upheld its key short-term interest rate at -0.1%.

The BoJ unanimously chose to enhance flexibility within its yield curve control policy, with the intention of reinforcing the sustainability of stimulus measures. This adjustment empowers the BoJ with increased purchasing flexibility for government bonds. Core inflation is also projected to hover between 1.7% to 1.8% over the next two years, which falls below the 2% target. This should increase the probability of sustained accommodative monetary policy.

Japan's growth in the second quarter outpaced expectations, expanding by 1.5% quarter-on-quarter. This growth was primarily driven by a 1.8% increase in net trade, where exports surged by 3.2%. Notably, a 14% upswing in auto shipments was a significant contributor, as supply chain constraints alleviated. Conversely, imports experienced a decline, and private consumption spending saw a 0.5% decrease, influenced by contracting real incomes.

At the corporate level, earnings, particularly within cyclical sectors, consistently outperformed consensus projections. This dynamic has led to appealing equity valuations in comparison to other markets. Despite these positive trends, our recent stance on this market remains neutral as we explore opportunities in global mandates capable of allocating to Japanese companies if they appear attractive relative to global competitors.

During the last quarter, we made the decision to replace Baillie Gifford with the M&G Japan Fund. The M&G Japan Fund adopts a focus on selecting stocks based on their perceived under-pricing, rather than adhering to either a growth or value bias. Since making the switch, the fund has surpassed the sector's performance by 2% (from 19/05/2023 to 24/08/2023).

We make no changes and remain underweight to our benchmark.

Key Points

- The BoJ unanimously chose to enhance flexibility within its yield curve control policy,
- Japan's growth in the second quarter outpaced expectations, expanding by 1.5% quarter-on-quarter.

Asia and Emerging Markets

Whilst China's economy is stalling it should eventually be poised to benefit from the easing of COVID restrictions. However, there are lingering property sector issues, which continue to serve as a restraint. Notably, Country Garden, once a dominant property developer, faces the looming possibility of debt default unless overdue bond payments are settled by early September. Simultaneously, Evergrande, a major Chinese property company that experienced a default in 2021, has initiated a chapter 15 bankruptcy protection filing in New York. This move coincides with China's securities regulator launching an investigation into potential disclosure violations. As confidence in the real estate sector erodes, concrete actions must be taken to align with China's projected 5.5% GDP growth expectations.

In efforts to revive the sluggish economy, the People's Bank of China has slashed policy rates for the second time in three months. This makes China an outlier among global central banks, as it has embraced monetary easing to stimulate a faltering recovery, in contrast to others that are in tightening cycles as they combat above target inflation.

Trade disputes persist, serving as indicators of broader geopolitical tensions that are on the rise. These are by-products of China / US regulatory concerns and the persistent escalation of the Russia – Ukraine war.

In the preceding quarter, we introduced the Vanguard Global Emerging Markets Fund. The fund exhibited strong performance during the quarter, having outperformed the Sector by 1% (19/05/2023 – 24/08/2023). Security selection played a pivotal role, driven by the energy, technology, and financial sectors. Vanguard remains optimistic about the array of opportunities within Emerging Markets. Forecasts for growth among the companies in the fund's portfolio significantly exceed the benchmark average. The team's confidence in this regard is buoyed by the prospect of growth being attainable at remarkably low valuations.

Morningstar has increased allocations to Emerging Markets, and while we concur that valuations are beginning to compensate for additional risk, we maintain that now is not the opportune moment to increase exposure. Instead, we continue to pick highly active funds that can adeptly harness opportunities while mitigating risk.

We are neutral to our benchmark.

Key Points

- There are lingering property sector issues in China, which continue to serve as a restraint.
- Emerging Markets trade at largest discount to Developed Markets in two decades.

Alternatives

We incorporate alternative allocations to enhance diversification in our portfolios beyond conventional assets. This includes the LF Ruffer Diversified Return Fund, a £26 billion firm, is dedicated to a global, multi-asset, absolute return strategy and the JP Morgan Macro Opportunities Fund. Both strategies' have the capacity to generate positive returns even during equity market downturns.

JP Morgan maintains a cautious outlook, anticipating the cumulative impact of central banks' monetary tightening on economic activity. This leads them to uphold a defensive portfolio approach, featuring negative net equity exposure. Their preference remains for a long US dollar position versus a basket of currencies tied to Europe and China, where momentum is comparatively weaker. Within their macro cycle framework, they perceive much of the global economy to be in contraction, with the US showing relatively stronger near-term momentum compared to other regions.

Ruffer, also observes a continued weakening of economic fundamentals, marked by reduced credit availability, discernible vulnerabilities in the labour market, and leading indicators such as manufacturing survey data entering recessionary terrain. Concurrently, global central banks are tightening monetary conditions through rate hikes and quantitative tightening (QT). While their protection overlays have impacted the portfolio's performance year-to-date, they now present highly appealing opportunities and downside protection.

We are overweight to a zero benchmark.

Key Points

- Defensive alternatives are poised to provide downside protection.

Fixed Interest

Fitch's recent downgrade of US Government debt to AA+ made headlines, but it could potentially bring long-term benefits. The downgrade could act as a catalyst for essential reforms that guide the country back onto a more stable fiscal trajectory. Fitch's decision follows a debt ceiling standoff from two months ago that nearly resulted in a technical default. Fitch is the second ratings agency to strip the US of its AAA rating, echoing Standard & Poor's move in 2011 during a similar standoff.

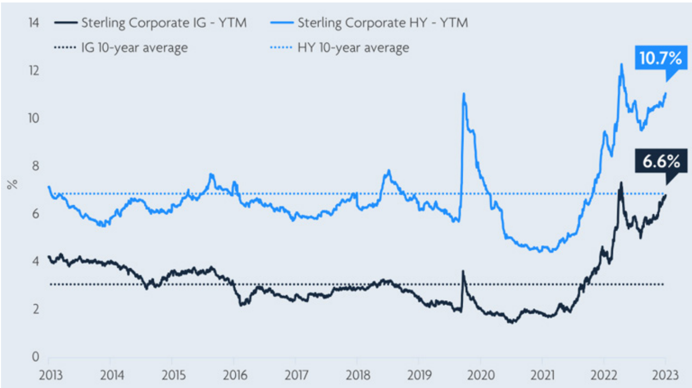
Shifting our focus to the UK, economic indicators exhibit variability, and there is an anticipation that elevated interest rates might trigger a slowdown, affecting earnings and potentially leading to credit rating downgrades and higher default rates. Our preference leans toward credit bonds over government debt due to their reasonably attractive credit spreads. Our confidence is drawn from our investment strategy which places emphasis on companies with robust balance sheets, favoring secure issuances, and ensuring diversification across various issuers and sectors. Typically, our credit strategies provide significant yield premiums, contributing to outperformance compared to the broader market.

We remain confident in the future opportunity for bonds, as income generators (refer to Figure 5) and due to their defensive characteristics when compared to riskier assets. It is important to acknowledge that it will require a span of 6 to 12 months for the augmented yield to fully manifest. However, it is noteworthy that our fund managers are already positioned to provide value, a trend we anticipate will gain further traction in the upcoming quarters.

Despite cash yields staying at elevated levels, fixed-income bonds present similar yields and offer the potential for superior total returns if there were to be a decrease in interest rates. In July, only one fund category attracted net inflows, and that was fixed interest. A total of £698 million was added to UK-domiciled fixed income funds, yet this was completely offset by the substantial withdrawals from equity funds. Given the existing dynamics, we consider this to be an opportune moment to continue increasing exposure.

We remain highly selective, actively managed, and are increasing exposure to fixed interest.

Fig 5. Yields are at extremely elevated levels
Source: Bloomberg June 2023 - Artemis



Key Points

- Fitch is the second ratings agency to strip the U.S. of its AAA rating.
- Bond yields reach close to 10-year highs.

Conclusion

We expect the ongoing struggle against inflation to persist, necessitating central banks to maintain elevated interest rates for an extended duration. The intricate interaction between inflation and monetary policy has amplified the risk of a potential recession, and we foresee a period of economic vulnerability in the upcoming months.

The last 3 years continue to be marked by their exceptional and noteworthy nature. The terms 'unpredictability' and 'uncertainty' remain prevalent in discussions when evaluating the macroeconomic and geopolitical factors that are constricting asset valuations.

Throughout the past year, our core perspective has remained anchored in the belief that the outlook for future economic growth remains uncertain. This perspective leads us to adopt a more cautious approach towards equities. We are more inclined to embrace the risk associated with corporate bonds that offer attractive yields. We are confident in our fund managers ability to select companies capable of fulfilling their debt obligations. We are also using alternatives as a future means to generate positive returns even during equity market downturns.

However, equities over the long term provide inflation protection to the real value of investor capital. Over time, the performance of shares is closely linked to a company's cash flow and profitability. Our active equity fund managers seek out companies with strong financial foundations: those that exhibit robust balance sheets, manageable debt levels, and consistent cash flow. Additionally, they seek companies with a history of sustained profitability and positive earnings growth, coupled with a competitive advantage such as a strong brand, innovative technology, or a dominant market position that differentiates them from competitors.

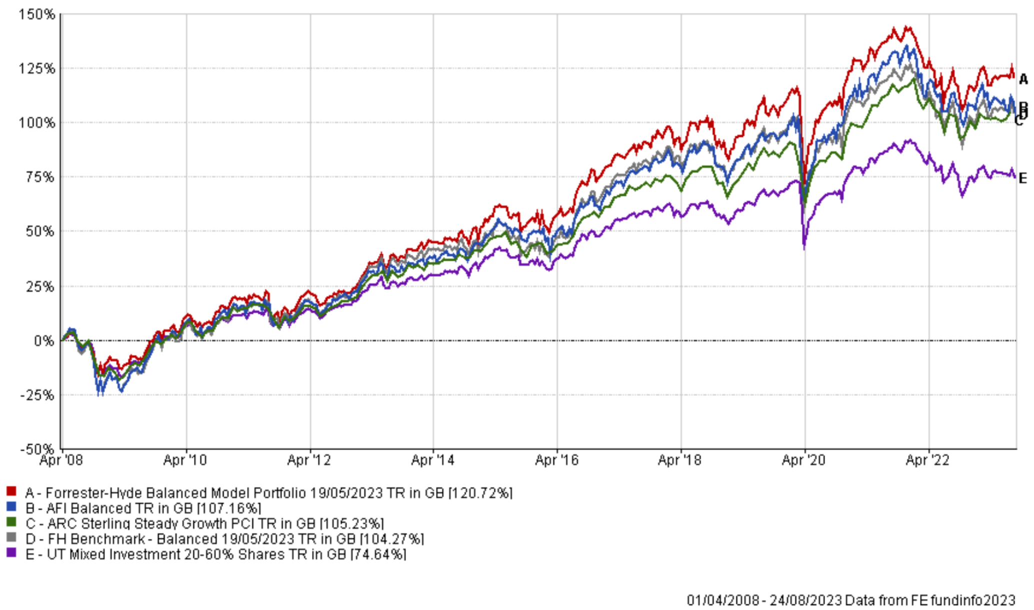
In instances where market enthusiasm creates a bubble-like scenario, as we are observing once again in the US market, we will maintain a cautious approach. We are prioritising the preservation of client capital and patiently awaiting the market to realign with fundamental valuations by avoiding over exposure to any one sector.

In this environment, we remain dynamic and have initiated new positions that can deliver results over the medium term. In our view, the most promising active managers are those equipped with skilled teams and a long-term orientation, dedicated to thorough, distinct research and authentic selection of stocks and bonds. Equally important, we place significant emphasis on assessing the fees charged for active management, ensuring that any future generated returns are beneficially transferred to the end investor. Hence, with reduced costs, skilled fund managers, and the willingness to allow alpha (the measure of an investment's risk-adjusted return) to evolve over time, achieving outperformance is attainable.

Our framework has consistently empowered us to deliver superior performance for the benefit of our investors. Please refer to our track record below which is compared with the following indices:

- **ARC Index** - Discretionary managers contributing actual portfolio performance data.
- **AFI Index** - Made up of the recommended portfolios of a panel of leading UK financial advisers and is based entirely on the funds that are actually recommended to clients.
- **UT Mixed Investments 20- 60% Shares** - Sector consisting of funds that have between 20% to 60% invested in equities (FH Balanced has 59% in equity).
- **FH Benchmark** - Forrester-Hyde overlay Morningstar allocations with industry average performance to create a high level benchmark, raising the performance bar which our portfolios are measure against.

Fig 6 Forrester-Hyde Balanced Portfolio Returns v Numerous Sectors
Source: FE Analytics, August 2023.



Approved Fund Panel Update

Funds Introduced

TB Evenlode Global Equity F Acc

We are introducing the TB Evenlode Global Equity fund into our Core Portfolios. Managed by Chris Elliott and James Knoedler since July 2020, this fund exhibits a preference for medium to large-cap, high-growth companies with robust balance sheets. The managers seek financially sound businesses that align with long-term themes and possess a competitive advantage enabling them to maintain a high return on equity. We have an established relationship with the same team for our income-producing portfolios. Through this relationship we have secured a competitive ongoing charges figure of 0.55%.

Edentree - Responsible and Sustainable Short Dated Bond B

Managed by David Mugwanya, who also heads the Responsible and Sustainable Sterling Bond fund, pursues the dual objective of preserving capital and generating income. The fund's focus lies in investments within the 2 to 3-year maturity range while maintaining an investment-grade rating of A or higher for the chosen bonds.

Royal London UK Government Bond Z Inc

The fund aims to outperform the benchmark whilst investing in mainly UK gilts but also having the flexibility to be opportunistic when it comes to investing in supranationals and inflation linked bonds. The fund has a competitive ongoing charges figure of 0.25% which offers value to our investors.

For detailed information on both changes and performance relating to your own portfolio please visit our client library:
https://www.forrester-hyde.co.uk/client-library_KIIDS.php

Herd in The City - Havens Hospice

Forrester-Hyde is proud to announce that we are a main Elephant Sponsor for Herd in the City, which will see over 45 elephants placed in a trail along Southend over the Summer. Whilst an excellent way of whiling away the school holidays, it will also raise important funds post pandemic for a wonderful local charity Havens.

For more information, please see **www.herdinthe.city** and **www.havenshospices.org.uk**

Performance (As at 31/08/2023)

Asset Class	1 Year %	3 Year %
Euro STOXX 50	24.25	34.19
FTSE 100	5.43	39.93
FTSE 250	0.11	12.68
MSCI Asia Pacific ex Japan	-7.67	-0.93
MSCI Emerging Markets	-6.59	-0.55
Nikkei 225	-0.17	6.86
S&P 500	4.75	39.32
Bloomberg Barclays Sterling Aggregate Corporate	-2.88	-17.84
Bloomberg Global Aggregate Credit Index	-5.53	-9.21
FTSE Actuaries UK Conventional Gilts All Stocks	-10.74	-28.96
Bank of England Base Rate	3.76	4.52
Consumer Price Index	6.86	19.98

For detailed information on both changes and performance relating to your own portfolio please visit our client library:
https://www.forrester-hyde.co.uk/client-library_KIIDS.php

Glossary and Abbreviations

Alpha - A measure of the return of a portfolio relative to an investment benchmark.

ARC Index – A set of risk-based indices designed to be used by private clients and advisers in assessing performance of their portfolio. The index comprises of the performance of a series of private client investment managers.

Basis point – 1/100th of 1% (0.01%).

BBB bonds – Credit rating of a bond considered to be of Investment Grade.

Bear Market – When a market shows signs of decline - prices go down.

Beta – The sensitivity of an asset's or portfolio's return to fluctuations in the return of the market or benchmark.

BoE – Bank of England.

BoJ – Bank of Japan.

Bottom-up – An approach to active investment management that gives priority to the selection of companies (with less emphasis on sector and country selection) to build up an investment portfolio.

Bull Market – When the prices rise consistently over a period of time.

CAPE Ratio – Cyclically-Adjusted Price-to-Earnings Ratio.

Correlation – The extent to which two assets' values rise and fall together.

Covenant Protection – Covenants are conditions tied to an indenture or loan agreement, usually in the form of forbidding certain actions of the issuer, put in place by lenders to protect themselves from borrowers defaulting.

Diversification – A risk management strategy that mixes a wide range of investments within a portfolio in order to reduce overall volatility.

Dividend Cover Ratio – Measures the number of times that a company could pay dividends to its shareholders.

Dividend Yield – The annual dividend on a share divided by the share price.

Duration – The duration is a measure of the average time until a bond's cash flows occur, and of the sensitivity of its price to interest rate changes.

Earnings per share – A common way of expressing company profits – dividing the profits after tax by the number of shares in issue. This is the basis for the calculation of the P/E Ratio.

ECB – European Central Bank.

ESG – Environmental, Social and Governance.

FCA - Financial Conduct Authority.

FDI - Foreign Direct Investment.

Fiscal Stimulus – Combination of tax cuts and increasing government spending in order to increase aggregate demand within an economy.

Forward P/E- Current stock price divided by the predicted next annual earnings period.

G7 Countries – The seven largest IMF-described advanced economies in the world, comprising of Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.

GDP – Gross Domestic Product.

Growth stock – A stock that is expected to achieve above average earnings growth. Growth stocks normally have a high P/E ratio relative to the market as a whole, as investors are willing to pay a premium for future higher earnings.

IMF – International Monetary Fund.

ISM – Institute for Supply Management Index.

Large cap stock – A stock with a market capitalisation is among the largest within a market. Medium and Small cap definitions also used.

Liquidity – The extent to which an asset can be bought or sold quickly and cheaply.

Macroeconomics – The study of market behaviour and performance of an economy as a whole, examining general economic factors such as interest rates and national productivity.

MiFID II – A legislative framework instituted by the European Union to regulate financial markets and offer greater protection and transparency for Investors.

Monetary Tightening – When Central Banks increase interest rates and reduce the money supply within the economy to help control the rate of inflation.

Nominal – Very small or far below the real value or cost.

OBR – Office for Budget Responsibility.

ONS – Office for National Statistics.

P/E Ratio – The relationship between the company's Stock Price and Earnings per Share.

The Purchasing Managers' Index (PMI) - Is an index of the prevailing direction of economic trends in the manufacturing and service sectors.

Quantitative Easing (QE) – Is the introduction of new money into the money supply by a Central Bank, usually via a Central Bank purchasing Government and Corporate bonds.

Quantitative and Qualitative monetary Easing (QQE) – An increase in the size of the balance sheet of the central bank through an increase in its monetary liabilities that holds constant the (average) liquidity and riskiness of its asset portfolio.

Quantitative Tightening (QT) – The counterpart of QE. QT is used to decrease liquidity within the economy.

Trailing P/E - Current stock price divided by the trailing earnings per share (EPS) for the past 12 months.

Transactional Charges – Expenses incurred when buying or selling a good or service.

Value stock – A stock that appears cheap when compared with other stocks because the share price is low relative to the book value of the equity (or earnings or dividends).

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