

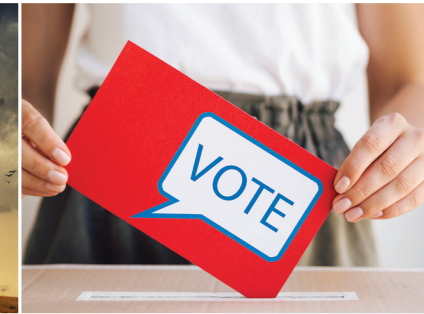


ROGATE CAPITAL
QUARTERLY INVESTMENT REVIEW
NOVEMBER 2023





ECONOMIC RAIN
CLOUDS WILL
EVENTUALLY PASS



We may be under storm clouds and in difficult times at present comments Richard Powell, but there is the potential for improvement as we look into 2024



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QUARTERLY INVESTMENT REVIEW NOVEMBER 2023



The clocks have gone back and the weather has turned so the feeling in the air is that it is time to hunker down and prepare for Winter. The investment markets are reacting to the latest economic conditions in a similar way. In the UK we have seen an actual fall in the price of some foodstuffs and the prices of most other items are not rising anywhere near as fast as they were a year ago. If it weren't for the oil price (more of that later) then inflation would have fallen further by now and it is expected to fall over the coming months as the fuel price rises of late 2022 fall out of the calculation of the headline rate. It will be close, but the Government's "promise" to halve inflation by the end of the year is still a possibility, partly due to prices actually rising more slowly but from here mostly because of the way the inflation figures are calculated. They are a measure of the rate of change in prices over a 12 month period so the impact of price movements 13 months (and longer) ago are not included in the calculation. With further falling inflation comes the anticipation that interest rates will stop rising and at that point the expectation that the next move will be downwards which, when it comes, allows people to keep more of their hard earned money. As we seem to have trouble saving money in the UK this will allow the consumer to return to the shops to spend any "spare" money they then have. Even though the current economic climate is difficult and the impact of rising interest rates is only now being felt by a large proportion of mortgage holders an environment where inflation and interest rates are falling is healthy for recovery. I fear it will be a difficult Christmas shopping season for the retailers but as we move into next year the environment for economic growth should be better.

Escalation of hostilities

There are however two concerns for the coming weeks and months;

the escalation of hostilities in the Middle East and our forthcoming General Election. Following the attacks by Hamas and Israel's retaliation we have already seen the oil and gas prices rise and as the conflict continues and potentially escalates further these are likely to continue - what is certain is that there will be volatility in the market for fuel. In the very short term this rise in prices has kept our inflation figures up and could derail the forthcoming expected drop in the headline rate. The modern conflict between the Israelis and the Palestinians has been running for over 40 years and is part of a wider conflict throughout the Middle East bringing Saudi Arabia and Iran into the equation. In the short term we do fear more volatility and are prepared to take action within the portfolios should we deem it necessary.

Potential upcoming General Election

Realistically the UK General Election will be next year - it could be in January 2025 but that would mean Parliament being dissolved on 14th December next year and the Parties campaigning over Christmas which I just don't see happening. At the moment the polls are suggesting a Labour victory so the Conservatives will have to put a spell on you if they are to gain your vote. They may well wave their wand in two ways; despite their protestations to the contrary it would not surprise me if there were (small) tax cuts in next year's Budget followed by the (independent) Bank of England perhaps cutting interest rates just in time for the Election. With an environment of the inflation rate continuing to fall, tax cuts perhaps by raising the Personal Allowance (which disproportionately helps the lower paid more and nullifies a Labour argument) and reducing interest rates, the Conservatives may just have a chance. Either way history suggests that no major action on the portfolios should be needed usually for 2 ➤



THE VALUE OF INVESTMENTS AND THE INCOME FROM THEM CAN FALL AS WELL AS RISE,
MEANING YOU COULD GET BACK LESS THAN ORIGINALLY INVESTED. THE MATERIAL CONTAINED IN
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- > years or so of a Labour Government as it takes that long for the funding of potential spending plans to become a concerning issue. We won't rely on this though and next year we will take the action we deem appropriate to position your portfolio properly.

Battle on through

There are short term concerns but it is clear that we are not looking down the barrel of a 2008 Global Financial Crisis and that, very probably, we are in the negative part of what Gordon Brown called the "boom and bust" cycle. Although each one is different we have learnt, time and again, that the way to succeed in investing is to battle on through, adjusting the portfolio such that when sentiment does change we are in a good position to profit from the upswing in values. Just like the weather, the economic storm clouds will eventually pass and as we move into more stable times we can all benefit from more positive returns.

**This article is the opinion of Richard Powell,
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