January Monthly Review

A summary of key events and market trends during the month of January

Global Markets Update

- Asset prices have had a good start to the year with most equity indices, bonds and commodities posting gains for January.

- The technology heavy Nasdaq has rallied in excess of 10 % as investors looked for bargains in the excessive bearishness at the end of 2022.

- China continues to open its economy and lift restrictions and this re-opening process is leading to a dramatic turn in the economic data which we believe has some further room to run.

- Inflation continues to moderate but central banks will want to keep up the pressure to ensure second round effects from still stubborn wages do not become endemic.

- Several upcoming central bank meetings including the Federal Reserve, European Central Bank and the Bank of England are likely to continue the process of monetary policy tightening and this puts a ceiling on how high asset prices rally.

- Earnings season is under way and we will be watching results closely along with management guidance for 2023.

- The Volatility Index (VIX) has recently been closing below the critical support of 20 and this will induce flows into risk assets. We keep an eye out for events that could alter this dynamic as that would be critical for portfolio positioning.

Relief rally or something more substantial ?

With most major central banks removing liquidity from the financial system we continue to be positioned tactically

Key markets

Index	Month to Date (%)	Year to Date (%)
Topix	4.42	4.42
Hang Seng China Enterprises	10.74	10.74
Dax	8.65	8.65
Euro Stoxx 50	9.75	9.75
S&P 500	6.18	6.18
Dow Jones	2.83	2.83
Nasdaq 100	10.62	10.62
US 10 Year Treasury	-0.37	-0.37
Bloomberg Barclays Global Aggregate Index	3.28	3.28
Bloomberg Barclays Global Corporate Bond High Yield Index	4.18	4.18
EUR USD	1.48	1.48
USD JPY	-0.79	-0.79
Gold	5.72	5.72

- The assessments at the end of last year by most of the industry indicated a cautious approach to the first half of the year and to that extent the month of January has delivered a contrarian outcome.

- With the first Federal Reserve meeting coming through tonight and setting the tone for the coming months we would reserve judgement with which way markets break from here.

- There is a somewhat balanced perspective between a more hawkish or more dovish perspective : On the more hawkish side inflation has still not come off enough for any central banker to claim victory over inflation while on the dovish end of things the strongest set of interest rate hikes and tightening seen in decades would eventually and certainly slow economic growth and cool inflation.

- The Federal Reserve has set a higher bar for where they expect interest rates to peak (just over 5 %) over the next 12 months compared to the bond markets expectation of a peak under 5 % coming through earlier in the year (mid-June).

- The European Central Bank and Bank of England are expected to follow suit tomorrow as headline inflation is a continuing concern.

- We continue to like the fixed income markets and look for opportunities to build our allocations.

SGMC Forward Views

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Asset Class	**Avoid**	**Reduce**	**Hold**	**Add On**	**High Convinction**	**Notes**
Equities						
US Equities						Use the options markets to take advantage of possible upside and create obligations to buy lower into declines
EU Equities						While geopolitical risks have not completely dissipated we note the relative resilience of this space
Chinese Equities						Despite some hiccups the country and economy seems well set on it's path to normalizing and valuations continue to be attractive
Emerging Market Equities						With the weaker US Dollar and improving risk appetite we expect the bid to return to EM equities
Bonds						
High Yield						With the heavy lifting behind us in the US levels continue to be attractive to add
Investment Grade						While we still like this space we note that spreads have tightened a fair bit and further rates could head higher in the short term. Will look to add only at better levels
Government Bonds						Prefer the risk / reward profile of corporate and financial bonds and hence continue to have a "Hold" recommendation for the Government space
FX & Alternative Asset Classes						
US Dollar Index						Have not seen the rally that we expected and given the current negative momentum will wait for better levels to go long
Commodities						Improving risk appetite balanced with deteriorating demand fundamentals
Private Equity / Hedge Funds						We believe the current flush out being seen in this space will likely linger for some further peiod and will be some time before demand picks up again
Real Estate						Rentals will continue rising providing good yields, but prices will come under pressure with increased mortgage rates
Collectibles						Uncorrelated with markets

- We are currently not making any changes to our forward views and asset allocation. Though, this could change as we assess the tone and content that comes through from the monetary policy meetings over this week and the next.

- We would look to use any declines in prices to accumulate strong businesses that we like for the long term.

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