

# Investment Market Update

2022

# Investment Market Review

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## 2022 In Review:

2022 was a roller-coaster of a year for the Global Economy and Investment Markets. Almost all of the economic, geopolitical and market events that unfolded throughout the year were completely unpredictable going into 2022.

The year was dominated by higher inflation globally, huge interest rate increases, the Russian invasion of Ukraine and general uncertainty about the stability of the global economy.

### 3 Key Economic Statistics

Irish CPI Inflation for November 2022	+8.9%
ECB Base Rate as at 31/12/22	+2.50%
US Unemployment Rate	3.5%

## Markets in Focus

Equity Market Index	2022 Performance	Currencies	Price as at 31.12.22
EuroStoxx 50	-8.82%	Euro / USD	\$1.07
German DAX 30	-12.35%	Euro / GBP	£0.86
Euronext Dublin	-14.48%	Bond Yields	As at 31.12.22
S&P 500	-18.11% (Dollars) -12.74% (Euros)	German 10-Year	2.50%
FTSE 100 (UK)	-0.92% (in Euros)	US 10-Year	3.86%

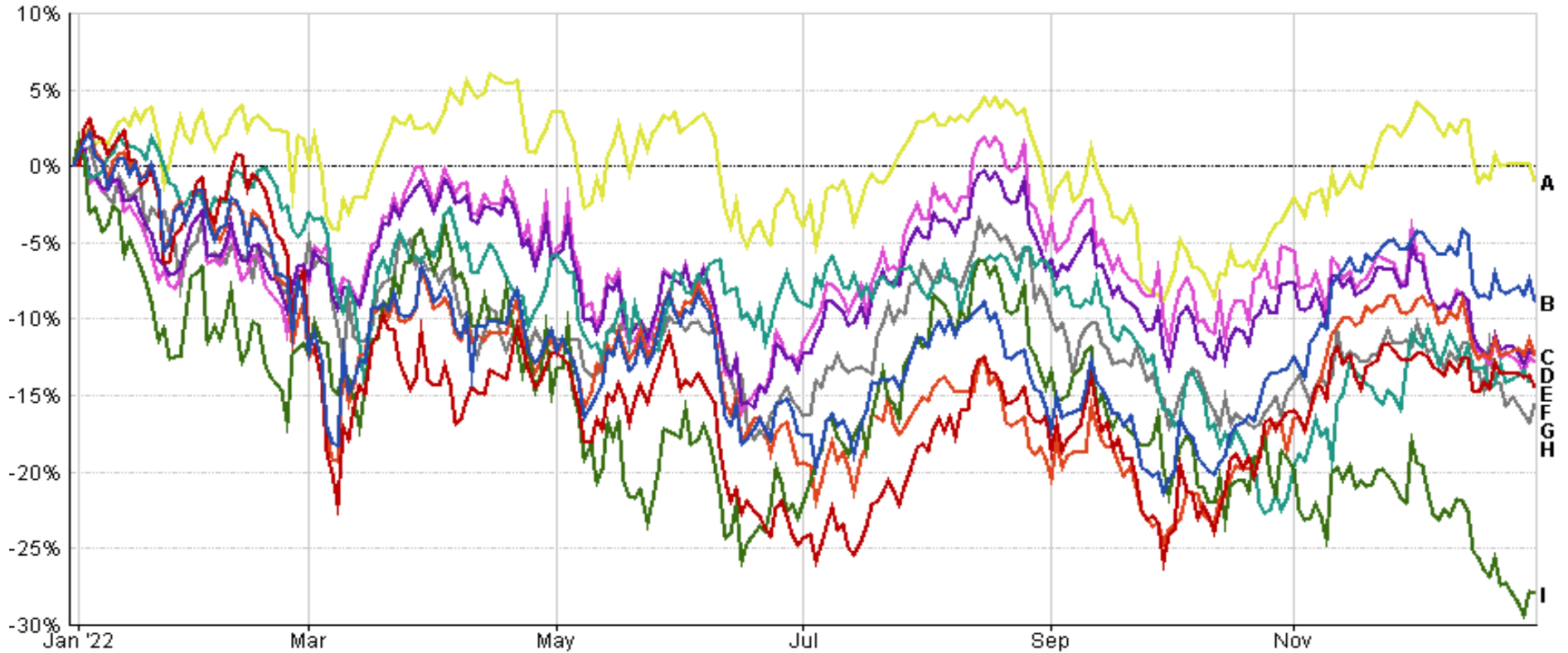
### Things to Watch in 2023:

1. Will Equity Markets recover in 2023? Will Corporate Earnings surprise to the upside?
2. Has inflation peaked and will interest rate increases slow down or even reverse?
3. Will there be a conclusion to the Russia / Ukraine conflict?

# Headline Market Points for 2022

- The speed and rate of **Interest Rate increases** by all Central Banks exceeded all market expectations
- 2022 was the first time the **S&P 500 & US 10 Year Treasury both fell >10%** in a calendar year since 1872
- **Technology & growth stocks (mainly US listed)** were particularly badly impacted in 2022 as multiples contracted with rising interest rates and a consensus that certain stocks were overvalued through the Covid period
- **China re-opens** to the world and scraps it's zero-covid policy
- **Political uncertainty and unrest in the UK** caused a huge (temporary) negative impact on Sterling. Nevertheless, the UK FTSE stockmarket Index was a top relative performer in 2022
- The **Russian Ukraine conflict** has continued to dominate and unfortunately there seems to be no signs of abating

# Market Indices (Full year Performance 2022)



- |   |  |
|---|--|
| ■ A - FTSE 100 TR in EU [-0.92%]                            | ■ F - MSCI AC Asia ex Japan GTR in EU [-14.07%]          |
| ■ B - Euro STOXX 50 GTR in EU [-8.82%]                      | ■ G - Euronext Dublin ISEQ All Share GTR in EU [-14.48%] |
| ■ C - MSCI World GTR in EU [-12.34%]                        | ■ H - Nikkei 225 in EU [-15.40%]                         |
| ■ D - Deutsche Borse DAX 30 Performance GTR in EU [-12.35%] | ■ I - Nasdaq 100 GTR in EU [-27.95%]                     |
| ■ E - S&P 500 GTR in EU [-12.74%]                           |  |

# Market Outlook: Focus on Asset Classes

## Interest Rates

*Continue to increase but are showing signs of slowing.* Central banks may slow down their interest rate hiking strategy and potentially the US Fed could even decrease slightly before the end of 2023

## Deposit Rates

*Irish Bank Rates...* Irish Retail Banks are currently paying on interest on deposits. It is likely that deposit rates will turn positive in 2023

## Bonds

*Higher Yields...* Bonds sold off heavily in 2022 but this trend is starting to reverse due to higher yields, making bonds an attractive asset class again in the short term.

## Equity Markets

*Volatility:* Volatility will certainly remain as balance sheets may come under pressure in the first half of 2023 due to lower consumer spending. However, potentially the bad economic news is priced in to Equities?

## Alternatives / Others

*Mixed:* A lot of Alternative Asset Classes, such as Cryptocurrencies, have proven that they are not actually as diversified as some investors expected. Expect Commodities to be highly volatile

# Financial Planning & Economics – Full year

- ⊗ **Inflation:** Though we may be entering into a ‘disinflationary’ environment, inflation remains at elevated levels and Households, Businesses & Charities need to factor in these increases in annual outgoings for the foreseeable throughout 2023
- ⊗ **Interest Rates:** As interest rates continue to increase, albeit at a lower rate, the choice of term & rate for deposit rates (for Assets) and borrowing rates (for Liabilities) will be very important in 2023
- ⊗ **Long-Term View beats volatility concerns:** Our mantra is to only invest capital when there is a long-term view, so short-term market weaknesses should be less relevant
- ⊗ **Diversification:** Spreading exposure across assets classes, geographies, sectors and management styles will cushion the impact of Market volatility



## 6 Main Asset Classes: Least Worst Option?

1. **Cash / An Post:** *Purpose: Capital Preservation, Rainy Day fund & Opportunity Fund*
2. **Bonds:** (Government or Corporate): *Increased yields mean better returns to be expected*
3. **Equities / Shares:** *Expect short-term volatility, but returns can expect to be strong over the long-term. Key to avoid stock-specific risk and remain diversified*
4. **Property:** *Listed liquid investment options provide lower risk and avoid hands-on management. Strong yield advantage but beware of capital value falls*
5. **Private Equity:** *Only suitable for certain types of investors / business owners*
6. **Alternatives:** *All assets outside of the above*



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