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QUARTERLY INVESTMENT REVIEW  
**NOVEMBER 2022**







Economic turbulence and an uncertain political future are a backdrop against which the medium term investor can profit by identifying buying opportunities argues Richard Powell. Although the Winter is likely to be a period of discontent the markets are looking ahead for the point at which sentiment changes and oversold assets are seen as exactly that.

# REFLECTING



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**T**ime is such a precious commodity and it is, in turn our friend and our enemy. I am sure the people at the forefront of the current political storm feel as if they have been in their current roles for far longer than they actually have. Their colleagues who are no longer centre stage must look back on their time in Office and wonder if their time there was well spent. For the rest of us matters are moving at a breakneck pace, but the direction of travel is by no means certain as in many cases we seem to be ending up back where we started. I feel now is the point at which we should pause to try and reflect on the current position in an effort to identify the way out of the murky gloom

### **The reality of tougher financial times.**

Since the great financial crisis of 2008/9 Central Banks have been providing support to global markets through their Quantitative Easing measures which in simple terms means providing money and support at a very low cost, almost money for nothing. The Banks know that this is potentially inflationary and there have been warnings of the long-term impact of the strategy, but this hasn't stopped them (until this year) from carrying on. Inflation was building before the supply chain issues caused by Covid, the container ship becoming stuck in the Suez Canal and most recently the invasion of Ukraine by Russia and these factors have acted as an accelerant. The fact that inflation has finally come to the fore shouldn't be a surprise even if the speed at which it has taken off may be. Since the Spring when inflation really began to lift, the Central Banks have changed direction and put measures in place in an effort to restrain and in time reduce inflation. As we move into the Winter of 2022 those measures are likely to take effect as Governments, businesses and private individuals all find it more expensive to borrow money.

With the added constraint of rising prices, the reality of tighter financial times is beginning to bite at every level. The inevitable impact of the constraint in demand is that prices will stop increasing at such a rate and in some cases they will fall, either way the measures are in place to combat inflation and it would appear the Central Banks are not afraid of hardening their positions further.

### **Reigning in seasonal spending**

This Winter is going to be tough for some businesses and I doubt the retailers are looking forward to a strong festive season as consumers reign in their seasonal spending. This in itself is likely to lead to less inflation and in time sentiment about the economic outlook will change. We now have a Chancellor who, it would appear, is prepared to apply basic mathematics to the "you can only spend what you earn" principle and is prepared to deal with the financial hangover from recent years of pandemic support. Bearing in mind the current Government are so far behind in the opinion polls they actually now have little political currency to lose so they are free to make difficult decisions that are in the best long-term interests of the Country even if those decisions won't generate short term votes. I only hope they stop thinking of their own positions and consider the Country's; the less said about the recent political shenanigans the better however I fear stability may still be some way away.

It is going to change for the better. There are plenty of solid and profitable businesses with great cashflow, loyal clients, experienced & proficient management that are well positioned for the coming years whose values have been dragged down by recent events. These today, are great buying opportunities and on market weakness your fund managers will be taking positions in these Firms so that when sentiment does change and the markets react, investment





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- > profits will be made again. It is a cliché, but it has been proven again and again that it is “time in the market not timing the market that makes you the money”. It may not be until the depths of Winter or even into the New Year, but sentiment will change at some point and when it does we will be monitoring your funds and their managers to ensure that the maximum advantage is squeezed from every positive movement.

**This article is the opinion of Richard Powell,  
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