

# HOW IS THE CURRENT MARKET VOLATILITY IMPACTING YOUR PENSIONS & INVESTMENTS?

## WEBINAR

JONATHAN BROOKES  
PARTNER

HOXTON  
CAPITAL MANAGEMENT

### What is inflation?

**Definition:** A general increase in prices and a fall in the purchasing value of money.

Percentage change in US consumer prices, year-on-year

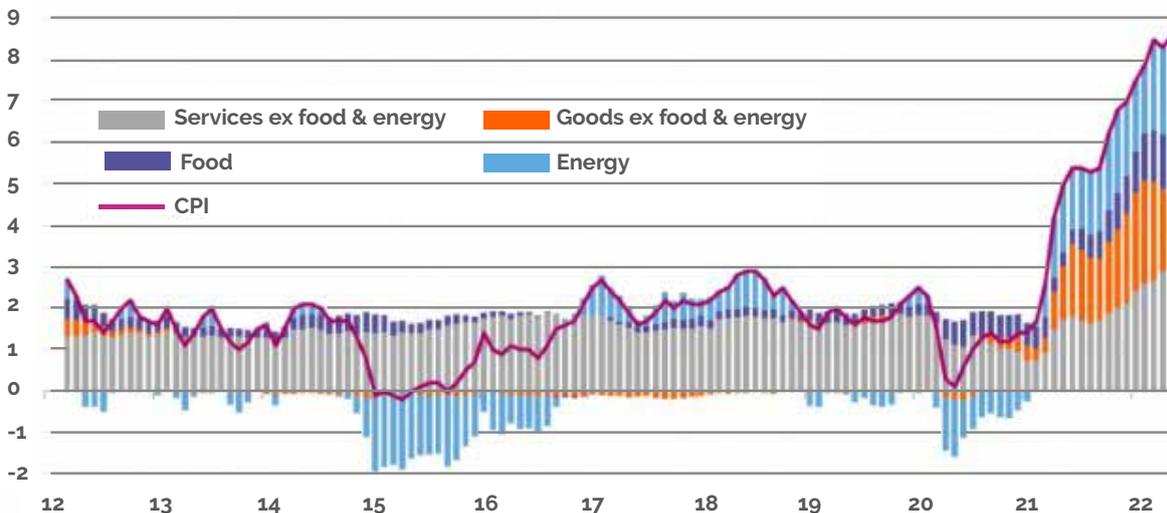


UK inflation passes 10%



### What is causing it?

Composition of contributions to inflation (YoY%)



## How to reduce inflation rates

- In the U.S., the FED and most central banks are in a serious predicament. Either increase interest rates further and risk having a deeper recession or let inflation run.
- In order to reduce inflation, demand needs to fall and move into better balance with the economy's supply capacity.
- The chart above shows that the demand for energy, food and services is what is causing high inflation
- The supply side needs to reduce geopolitical risk to get energy prices lower
- Supply chains easing to improve flows of imports & exports
- More labour supply to suppress wage inflation

## How the current situation differs

- In previous recessions, the economic downturn resulted from issues in financial markets, oil prices, or monetary policy.
- The current recession was caused by a public health crisis and somewhat a self-induced recession – excess money and pent-up demand.
- Supply chain issues compounded by lockdowns and the war in Ukraine (grain, fertiliser and Russian gas)
- While the effects of Covid-19 on the economy were deep, the overall economy is in good shape and poised for a sharp bounce back.
- Company earnings appear to be resilient while unemployment remains lower than expected.

## What to do and not to do

- Invest while markets are low –Periods of low returns are usually followed by periods of high returns
- Hold a well-diversified portfolio – Exposure to different sectors and countries due to the variation in inflation

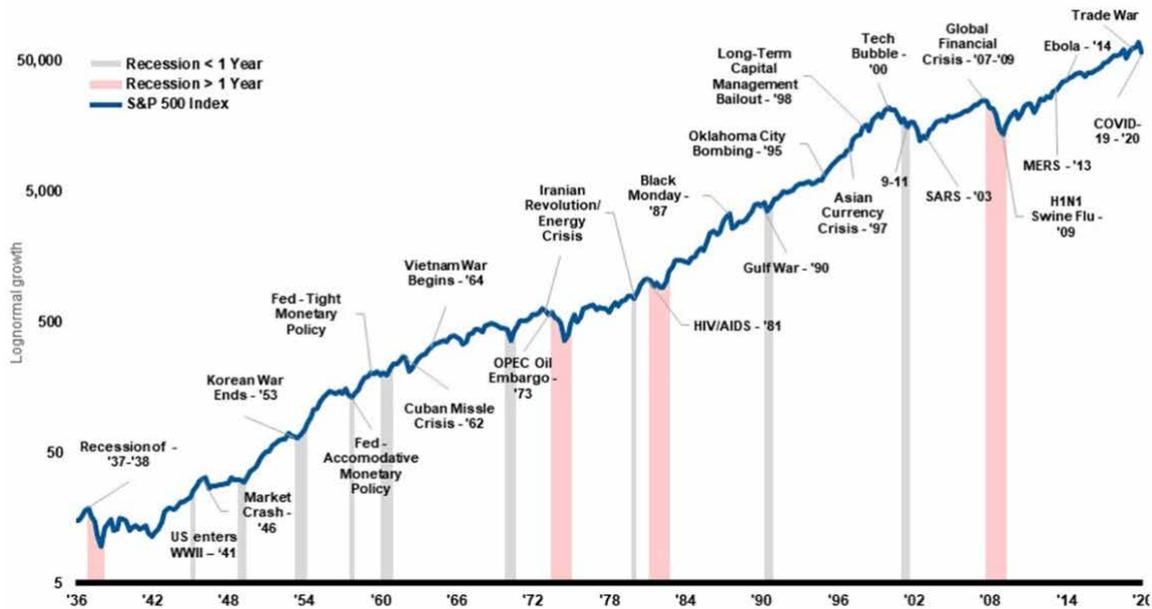
### Don't panic:

- Recessions are a natural part of the business cycle.
- Volatility brings opportunity
- Time to invest – Markets are generally undervalued
- Markets have always recovered
- Recessions on average last 18 -15 months. The chart below shows how short each recession has been.

## Recessions

### Resilience of the U.S. stock market

History of moving through difficult times



## Summary

**Take advice and review**- Consult your adviser and assess asset allocation. Make sure it matches your attitude to risk. Get help with your cashflow planning.

**Remain diversified** – Having a wide range of exposures will really benefit you in this troubled period, it's difficult to say what sector will increase in value and when. Plan for major expenditure; avoid force sale of assets.

**Take advantage** – Suppressed markets and discounted prices never last for long so make sure you are in a position to profit from it; keep time in the market. Analysts seem to think we will bounce back quite quickly from this episode of high inflation so don't try to second guess when this will happen.

