Everything Ethical Newsletter – November 2022

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Market Commentary

Markets continued their recovery in November as evidence mounted that economies were nearing the peak of inflation and that central banks were considering slowing their monetary tightening. The month began with the Australian Central Bank following Canada and New Zealand in raising rates by only 0.25%. Domestic economic concerns have been tempering inflationary worries in these regions. The month ended with Eurozone inflation at -0.1% month-on-month and a speech by Federal Reserve Chair Powell signalling that the Fed will slow the pace of interest-rate increases in December.

All eyes have been on the Federal Reserve and the rhetoric of its members. They began the month sticking to script, raising rates by 0.75% with Fed Chair Powell delivering a hawkish speech emphasising that there was a way to go in tightening. Off the back of this, the main US equity market finished 2.5% down. However, a few days later, US CPI data came in weaker than expected, showing inflation at 7.7% versus an estimate of 7.9% year-on-year. This saw bond yields plunge and stock futures surge, with the same US equity market gaining 3.6% at the open. This was the biggest climb in two years as markets began to price in a hike of 0.5% at the next meeting, a view reinforced by Powell's speech at the end of the month.

The Bank of England also delivered a 0.75% rate rise but they said that the peak interest rate will likely be lower than the market had implied. The Bank's chief economist said that the market assumptions on rates would lead to "overtightening" and see the UK enter a two-year long recession. Similar to the Fed, therefore, the BoE has indicated that whilst rates have higher to go this will be done in a less aggressive manner. In contrast to the US and the Eurozone, UK CPI came in higher than expected at 11.1% where the expectation was for 10.7%. This was driven by food prices which rose sharply at 16.5% alongside gas and electricity as the household bill limit increase came into effect. Core inflation, which excludes food and energy, held steady at 6.5%.

Just as important to markets was the long-anticipated Autumn Statement from Chancellor Hunt as the government continues to recover from the fallout of "Trussonomics". The Office for Budget Responsibilities forecasts predict that inflation will fall sharply from the middle of next year and there is a growing acceptance the UK is entering a recession that will last until the end of next year. Measures from the Statement included reducing allowances on dividends, capital-gains tax and personal taxes. Energy profit levies were increased on oil and gas companies to 35% whilst there was the introduction of a temporary 45% levy on electricity producers.

November also saw the continuation of earnings season which pointed to a slowing global economy. The world's largest computer maker posted its first sales decline in more than two years, commenting that the deteriorating macro environment is causing consumers and businesses to be more cautious in spending. In a similar vein, a bellwether for global trade cut their forecast for worldwide container demand saying that usage will shrink as much as 4% as the economic slowdown weighs on bookings. As commented upon last month, retail earnings further showed a consumer struggling with the cost of living and in search of opportunities to shop down.

Politics was also at the forefront this month. The US had their midterm elections which saw the Democrats fare much better than had been expected. In what was a tight contest the Democrats managed to hold onto the Senate but the Republicans took control in the House of Representatives. As a consequence, policies for the remaining two years will likely have to focus on issues with bipartisan agreements. In China, there were protests against the government and its zero-covid policy. This remains an ongoing situation, but there are early signs that Covid curbs are beginning to ease which could have positive knock-on effects for global inflationary pressures.

Model Portfolio transactions in the month:

There were no changes made to portfolios during November.

Performance:

Funds Model Portfolio	November 2022
Defensive	+1.68%
Cautious	+1.94%
Income	+3.61%
Balanced	+2.18%
Balanced Growth	+2.36%
Growth	+2.56%
Adventurous	+2.97%

Direct Equity Model Portfolio	November 2022
Cautious Green	+0.64%
Light Green	+0.77%
Mid Green	+1.28%
Dark Green	+1.17%

MPS Stock pick feature:

Tomra invented the world's first fully-automated reverse vending machine in 1972. Reverse vending machines are especially common in regions with container deposit laws or mandatory recycling legislation. They are responsible for approximately 80,000 installations across more than 60 markets. Each year, 1.4 trillion beverage containers are used around the world, representing a vast amount of material that can be collected and reused or recycled. The company's mission is to transform how we all obtain, use and reuse the planet's resources to enable a world without waste.

Ethical News

UK clean technology start-up **Altilium** announced plans to build the "largest planned recycling facility" in the UK for end-of-life electric vehicle batteries at a site in Teesside. The company, which has clinched £3m in government innovation funding, said it would scale up its proprietary recycling technology in order to meet the expected exponential demand for critical metals needed to transition to net zero.

Retailers including **H&M**, **Kering** and **Inditex** will purchase over half a million tonnes of low-carbon alternative fibres for clothing and packaging to help reduce global emissions. These fibres are made from waste textiles and agriculture residues instead of forest fibres and every tonne of clothing produced with these new fibres will save between 4 and 15 tonnes of carbon per tonne of product. According to the World Bank estimates, fashion accounts for 10% of all greenhouse gas emissions.

Asda has become the first UK supermarket to change all of its own brand toilet rolls to double length in a move which will see it remove 74 tonnes of plastic and save 760 tonnes of cardboard a year. The supermarket has doubled the amount of toilet paper per roll and reduced the number of rolls per pack on one of its most popular own brand products, significantly reducing its cardboard and plastic usage in the process and removing over 1,200 lorries from the road each year.

Vodafone has launched a new refurbished phone range, helping consumers to get the phone they want for less. Buying a refurbished phone instead of a brand new one has a lower carbon footprint according to a lifestyle assessment study. In addition to the lower carbon and realised cost savings, Vodafone's new refurbished range supports the company's commitment to promote a circular economy, and aid its pledge to cut carbon emissions and electronic waste.

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