2023 market reflections and the year ahead

By Perpetual Wealth Management

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In this special end-of-year Reflections report, Perpetual Private's Investment Research team provide insights by reflecting on the economic events of 2023 and postulating on the key themes they believe will continue into next year, as well as those that will possibly emerge.

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2023 was widely expected to see a global recession

Reflecting on the past year, it's evident that economists' gloomy predictions didn't unfold as anticipated. The expected convergence of higher interest rates, above-target inflation, and rising unemployment was thought to lead us into a recession. However, contrary to the consensus, the economic environment proved to be far more resilient than many expected.

The world is facing a high level of uncertainty, and forecasting what will happen next is becoming increasingly challenging

Globally, inflation and central bank policy once again took centre stage. On a positive note, much progress was made in addressing price stability, albeit whilst inflation has remained uncomfortably above target. Central banks continued to take aggressive action and raise

interest rates to levels we haven't seen in over two decades. However, in a recent shift these institutions signalled a more cautious approach and have suggested that they will adopt a 'wait-and-see' stance as they monitor unfolding data in the forthcoming year.

Geopolitics claimed headlines, perpetuating existing conflicts and spawning new ones, casting a shadow on the regions and populations directly impacted. Investment market performance and investor sentiment, in a curious turn, became chiefly influenced by a select handful of U.S. technology giants, heralded as the 'Magnificent Seven.' These firms rode the crest of the Artificial Intelligence hype, providing a much-needed boost to equity markets.

More of the same, but some things different

Moving into 2024 it is self-evident that some of the themes from 2023 will persist. However, the landscape will change and the year may prove to be pivotal, as markets and economies begin to complete their transition to higher capital costs. The interplay between and timing of these factors, will determine the fortunes of investors for the next 12 months and beyond.

Download the report to read more about our reflections on key economic events in 2023 that shaped the market and themes that will shape the year ahead.

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