**The FTSE 100 takes its turn for a relatively disappointing year**

Synopsis: The FTSE 100, which ended the year up 3.8%, significantly lagging most developed market indices.

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|  | **30/12/2022** | **29/12/2023** | **Change in 2023** |
| **FTSE 100** | 7451.74 | 7733.24 | 3.78% |
| **FTSE 250** | 18853.00 | 19689.63 | 4.44% |
| **FTSE 350 Higher Yield** | 3555.19 | 3606.84 | 1.45% |
| **FTSE 350 Lower Yield** | 4249.48 | 4521.44 | 6.40% |
| **FTSE All-Share** | 4075.13 | 4232.01 | 3.85% |
| **S&P 500** | 3822.23 | 4769.83 | 24.79% |
| **Euro Stoxx 50 (€)** | 3793.62 | 4521.65 | 19.19% |
| **Nikkei 225** | 26094.5 | 33390 | 27.96% |
| **Shanghai Composite** | 3089.26 | 2974.93 | -3.70% |
| **MSCI Em Markets (£)** | 1487.567 | 1502.535 | 1.01% |
| **UK Bank (Base) rate** | 3.50% | 5.25% |  |
| **US Fed funds rate** | 4.25%-4.50% | 5.25%-5.50% |  |
| **ECB refinance rate** | 2.50% | 4.50% |  |
| **Two-yr UK Gilt Yield** | 3.58% | 4.00% |  |
| **Ten-yr UK Gilt Yield** | 3.70% | 3.56% |  |
| **Two-yr US T-Bond Yield** | 4.43% | 4.25% |  |
| **Ten-yr US T-Bond Yield** | 3.88% | 3.87% |  |
| **Two-yr German Bund Yield** | 2.74% | 2.39% |  |
| **Ten-yr German Bund Yield** | 2.56% | 2.02% |  |
| **£/$** | 1.2029 | 1.2748 | 5.98% |
| **£/€** | 1.1271 | 1.154 | 2.39% |
| **£/¥** | 158.7175 | 179.7026 | 13.22% |
| **Brent Crude ($)** | 84.27 | 77.1 | -8.51% |
| **Gold ($)** | 1813.75 | 2078.4 | 14.59% |
| **Iron Ore ($)** | 115.11 | 136.16 | 18.29% |
| **Copper ($)** | 8397.5 | 8562.5 | 1.96% |

In 2022, the FTSE 100 ended the year up just 0.9%. That it was in positive territory was an achievement, given the year that the UK had experienced – three Prime Ministers, four Chancellors, the mini-Budget, etc. The outturn was all the more remarkable because it meant the UK market beat the USA, Eurozone, Japan and China. In 2023, the picture almost flipped with the UK well adrift of the USA, Eurozone and Japan and only marginally ahead of China.

Looking at some more detail..

* The UK shows a marginally better return if you look at the FTSE 250 or FTSE All-Share. That can be blamed in part on the Footsie’s having less than half the weighting of the FTSE All-Share in Financial Services, which had a good year.
* In 2022, the response of commodity prices to the Ukraine war helped the holes-in-the-ground nature of the UK indices come to the fore. However, the Basic Resources supersector, which makes up about 8% of the FTSE 100, was down about 13% in 2023.
* This year the FTSE 100’s performance was similar to the other main market UK equity indices, with the FTSE Higher Yield being held back by the mining companies (which cut their dividends significantly). Away from the main exchange, the FTSE AIM All-Share had another miserable year, although not as bad as in 2022. This time it posted a drop of 8.2%. Over the two years the decline has been just short of 40%, a reminder that it is not only via business relief that AIM shares can reduce inheritance tax (IHT) liability.
* The FTSE 100 ended 2023 at 2.5% above the level that it started 2020. We remarked at the start of 2023 that a volatile three-year period had ‘seen the index go nowhere’. That now should read ‘volatile four-year period’. Over the same period the S&P 500 is up 47.6%, helped by a rise of almost a quarter in 2023.
* The last two years provides a different transatlantic contrast: the FTSE 100 is up 4.7% against a 0.1% fall for the S&P 500. Adjust for currencies (the dollar wins) and dividends (UK wins) and in terms of total returns to a sterling investor, the Footsie is still about 3% ahead.
* The importance of dividends should not be ignored when looking at the FTSE 100’s flatlining. Last year, the total return on the FTSE 100 was 7.93% and over the four years since the start of the decade the total return figure was 18.4%. The FTSE 100 ended the year with a yield of 3.86%, 0.3% higher than the ten-year gilt yield.

While the relative performance of the UK equity market looks poor for 2023, it improves slightly when currency is allowed for. The pound had a decent year, rising 6.0% against the US dollar, 2.4% against the Euro, and 13.2% against the Yen, which was held down by a still sub-zero bank rate.

In sterling terms, the [MSCI ACWI](https://www.msci.com/documents/10199/8d97d244-4685-4200-a24c-3e2942e3adeb) was up 13.3%, for which Wall Street (now 62.72% of the index after the USA’s strong year) can take a good slice of the credit.

**Comment**

The best performing developed market in 2023 was Italy, which benefited from Georgia Meloni being not as frightening as she first seemed when she became Prime Minister in October 2022. The best performing emerging market by just 0.5%, according to MSCI, was Hungary (with Greece in an honourable second place).

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