How we did in 2022

Our Prediction	What Happened	Score
New era for financials markets globally. Markets are faced with dynamics that have not occurred since the 1970's as following years of policies that have been implemented to prevent deflation and stimulate growth, inflation is currently at 30-year highs across developed economies and a paradigm shift is taking place. Investors and policymakers have not seen this scenario before with high inflation, record debt levels and the reversal of ultra-accommodative monetary policy including quantitative tightening.	Policy makers begun the year with a sharp reversal of many years of low interest rates and embarked on a programme of raising interest rates to combat inflation.	**5/5**
Monetary policy tightening will accelerate. Inflation will continue to increase peaking around 8% in both the United States and United Kingdom, central banks are in a difficult position, behind the curve and will be forced to tighten policy to control inflation even as growth slows reducing the value of financial assets and weighing on growth	Inflation did indeed increase throughout 2022, peaking in the US at 9.1% in June the US and 11.1% in the UK in October. This was slightly ahead of our predictions, flamed somewhat by the Russia/Ukraine war.	**4.5/5**
Global growth slowdown. Following the initial rebound in global growth as restrictions were removed, the reversal of both fiscal and monetary policy support and a trade-off between rising inflation and economic activity will slow global growth to 4.2% in 2022.	The fall in global growth was correctly predicted, however our models undershot the overall figure which saw a slowdown to 3.2% for the year.	**4.5/5**
Dislocation in energy markets will continue. As investment continues to be diverted from oil and gas exploration to renewables there will be ongoing supply issues and related cost pressures as the market adapts to the demands of energy storage and the transition to a growing portion of energy being provided from renewable sources.	2022 witnessed an acceleration of this trend due to the war in Ukraine and subsequent sanctions placed on Russia. The global scramble to source energy resulted in a market where prices were driven skyward. The experiences of 2022 only helped to re-iterate the need to become less reliant and at the mercy of fossil fuel energy sources and producers.	**5/5**
Volatility across financial markets will increase. Financial markets dislike uncertainty and as participants adjust to a new paradigm and reassess asset valuations volatility will rise and remain elevated across asset classes.	With equity indices and bond markets both falling more than 30-40% at various points throughout the year, it can certainly be said that volatility increased in 2022.	**5/5**

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Diverging monetary policies will provide opportunities. As developed central banks remove accommodation multiple emerging economies where monetary policy has been normalised have the capacity to cut rates and provide stimulus to their economies. This may allow their economic growth to outperform and provide returns to investors particularly in Asia.	While policy divergence did come to the fore in 2022, other factors such as Covid rates and further restrictions in China, weighed on regional indices that might otherwise have been able to provide stimulus and outperform. 2023 should bring further opportunities however through divergence.	**3/5**
Covid remains a concern. Although Covid-19 case numbers are declining and restrictions are being lifted, the potential for new variants to develop that may evade current vaccines remains a threat. Only 61% of the world's population has received at least 1 dose of a vaccine and low vaccinated populations provide a breeding ground for the virus to mutate. A return to full lockdowns is unlikely however the impact on supply chains of short-term restrictions will further add to inflation pressures.	In the western world Covid concerns remained but did not meaningfully impact for much of the year. However, in China, where vaccine effectiveness was much reduced, there were ongoing strict restrictions which curb the regions' ability to re-emerge from the slowdown of the previous year. These concerns bled into the other developed economies as Japan, UK and the US re-introduced restrictions and requirements for visitors from this region towards the end of 2022	**4/5**
Geopolitical events pose a risk to financial markets. In 2021 markets were focused on the path of Covid-19 however geopolitical tensions between the global powers are rising. Tensions in the South Pacific are rising as China asserts its dominance and Russian aggression in Eastern Europe both have the potential to present negative surprises to economic growth, supply chains and financial markets. In addition, elections in France and mid-terms in the US all add further uncertainty.	2022 was dominated for the most part by the war in Ukraine, which continues into 2023. The impact of the conflict has stretched to all parts of the world with significant implications on global inflation and ongoing trade relationships with Russia.	**5/5**
Opportunities in the Metaverse. As the internet is now a fundamental component of our lives the next development of linking our physical and digital worlds through avatars and virtual reality is a new area for investors to provide returns. These developments will include next generation streaming, social media and enhanced computing power.	The Metaverse continued to grow, particularly in the early part of 2022, highlighted by platform such as Roblox which now sees 60 million daily users – an increase of 21% from 2021.Opportuniteies continue to present themselves, but like most sectors over the year, were caught up in the falls of major indices as volatility increased.	**3/5**
Seeking assets that protect portfolios in the new era. Traditional asset class diversification has been undermined by years of stimulative	The most challenging aspect of 2022 was finding assets that protected portfolios, with 'safe-haven' bonds falling in lockstep with global equities and inflation levels eroding cash values. The only place to find returns were specific and high-risk areas of the market, all of which had their own falls to contend with over the year.	**5/5**