OCTOBER

2022

FINANCIAL INSIGHTS

by

AMA | Austen Morris Associates

www.austenmorris.com

AMA | Austen Morris Associates

www.austenmorris.com

CONTENTS

FINANCIAL NEWS DIGEST - OCTOBER 2022

Powered by Brewin Dolphin

AT THE BEGINNING OF OCTOBER

Stocks break three-week losing streak

Most major stock markets rose (September 30 - October 7) as softer-than-expected US economic data raised hopes the Federal Reserve might slow its pace of interest rate hikes.

These hopes were quashed towards the end of the week as signs of labour market strength and a cut to oil production led to renewed inflation fears. After jumping 5.6% on Monday and Tuesday, its biggest two-day gain since 2020, the S&P 500 finished the week up 1.5%. The Dow and Nasdaq added 2.0% and 0.7%, respectively.

UK and European shares also rose, despite a jump in eurozone producer prices and signs of a deepening economic slowdown in Germany. The FTSE 100 gained 1.4% and Germany's Dax rose 1.3%.

In Asia, Japan's Nikkei surged 4.6%, although sentiment soured towards the end of the week following hawkish comments from US Federal Reserve officials. China's stock markets were shut all week for the National Day / Golden Week holiday.

Government scraps plan to axe top tax rate

The FTSE 100 edged up 0.2% on Monday (3 October) after the government scrapped plans to axe additional-rate income tax. Chancellor Kwasi Kwarteng said in a tweet that the proposed abolition of the 45% tax rate had "become a distraction for our overriding mission to tackle the challenges facing our country". Kwarteng also announced that the publication of his medium-term fiscal plan would be brought forward from 23 November to the end of October.

BoE takes action to stabilise markets

The BoE launched a temporary bond-buying programme last week in an attempt to restore orderly market conditions. It came after the tax-cutting measures in the mini-budget sparked a slump in the pound and a selloff in government bonds.

The Bank warned that if dysfunction in the long-dated government bond market continued, there would be a "material risk to UK financial stability". It said it will buy bonds "on whatever scale is necessary" from 28 September until 14 October, and those purchases will be unwound once market conditions stabilise.
The announcement last Wednesday had an immediate effect on 30-year bond yields, which fell back to 4.3% after rising above 5% earlier in the day. Although the BoE ruled out an emergency interest rate hike, it is expected to increase rates more aggressively at its next policy meeting in November.

UK avoids recession for now

In more positive news, revised economic data from the Office for National Statistics (ONS) implied the UK is not currently in a recession – defined as two consecutive quarters of declining gross domestic product (GDP). The figures showed GDP increased by 0.2% in the second quarter, instead of shrinking by 0.1% as previously estimated. There were increases in services and construction output, whereas production output fell. The data also showed that while household savings fell back in the second quarter, households saved more during and after the pandemic than previously estimated.

US inflation higher than expected

Over in the US, the Federal Reserve's key inflation gauge, the core personal consumption expenditures price index (excluding food and energy), rose by an annualised 4.9% in August and by 0.6% from the previous month. Both figures marked an acceleration from a month earlier and exceeded economists' forecasts, cementing expectations of further interest rate hikes.

There are signs that rate hikes are starting to impact the US housing sector. Pending home sales fell in August by 2.0% month-on-month and 24.2% year-on-year, according to the National Association of Realtors (NAB). The NAB said decade-high mortgage rates had "deeply cut into contract signings". House prices, as measured by the S&P CoreLogic Case-Shiller Index, cooled between June and July at the fastest rate in the index's history.

AROUND THE MIDDLE OF OCTOBER

Eurozone inflation hits record 10%

Inflation in the eurozone hit a new record high for the 11th month running in September as energy bills continued to soar. Consumer prices rose 10.0% from a year ago, accelerating from August's increase of 9.1%. Energy prices surged by 40.8% year-on-year, while food, alcohol and tobacco prices rose 11.8%, according to Eurostat's flash estimate. Core inflation, which excludes energy and food, increased by 4.8%, up from 4.3% in August. Inflation in Germany hit a new 71-year high of 10.9%

The figures came after European Central Bank president Christine Lagarde said the eurozone's economic outlook was darkening and business activity was expected to slow substantially in the coming months.

BoE doubles size of bond-buying programme

The Bank of England (BoE) announced on Monday (10 October) that it had doubled the size of its temporary bond-buying programme, which it introduced following the market turmoil created by the government's mini-budget announcements.

The BoE doubled the size of daily auctions to a maximum of £10bn from £5bn previously, in an effort to "support an orderly end" of the scheme, which is due to conclude on 14 October. Chancellor Kwasi Kwarteng also confirmed yesterday that his medium-term fiscal plan would be brought forward from 23 November to 31 October.

US labour market remains strong

The release of the closely watched US nonfarm payrolls report last Friday cemented expectations that the Federal Reserve will increase interest rates by another 0.75 percentage points at its next meeting in November. Although the pace of jobs growth cooled in September, the unemployment rate unexpectedly dropped.

According to the Department of Labor, the US economy added 263,000 jobs in September. This was below than the 315,000 positions created in August, but was higher than forecasts for 250,000 new jobs.

US services activity slows slightly

Economic activity in the US services sector slowed slightly in September, according to the Institute for Supply Management's (ISM) purchasing managers' index (PMI). The index measured 56.7 in September, which was 0.2 points lower than August's reading of 56.9. The new orders index slipped to 60.6 from 61.8, while a gauge of prices paid by services industries for inputs dropped to 68.7, the lowest since January 2021.

Eurozone producer prices jump

Whereas US economic data showed some signs of easing inflationary pressures, the opposite was true in the eurozone. According to Eurostat, factory gate prices in August rose by 5.0% month-on-month and by 43.3% year-on-year, driven by increasing energy costs. Meanwhile, S&P Global's eurozone composite PMI showed cost pressures intensified in September for the first time since March, again reflecting sharply rising energy costs as well as higher wages.

German economic data worsens

In Germany, there were further signs the country could be heading for a recession. Retail sales fell by 1.3% in August from the previous month, worse than the 1.1% dip forecast by analysts in a Reuters poll. Meanwhile, import prices in August were 162.4% higher than a year ago, and industrial output declined 0.8% month-on-month, the sharpest fall since March.

The German economy is expected to slide into a recession next year, according to reports by Reuters. Sources told the newswire that the government had cut its growth forecasts to 1.4% for 2022 and -0.4% for 2023, down from 2.2% and 2.5% previously. Official figures are due to be published on Wednesday.

TOWARDS THE END OF OCTOBER

Hunt reverses mini-budget tax cuts

New UK chancellor Jeremy Hunt announced on Monday (17 October) the reversal of almost all the tax-cutting measures contained in last month's mini-budget. The planned reduction in basic-rate income tax and the reversal of the dividend tax rate hike will no longer go ahead. Plans to freeze alcohol duty, introduce VAT-free shopping for tourists and reverse off-payroll working rules have also been overturned.

The emergency statement came just one working day after UK prime minister Liz Truss announced the departure of former chancellor Kwasi Kwarteng following weeks of market turmoil. Truss also overturned plans to cancel next year's increase in corporation tax. Together with the decision to scrap proposals to axe additional-rate income tax, the changes are expected to save the Treasury around £32bn a year.

The pound rose, gilt yields fell and the FTSE 100 rose 0.9% on Monday as investors welcomed Hunt's emergency statement. The positive sentiment continued in Europe and the US, with the pan-European STOXX 600 and S&P 500 climbing 1.8% and 2.7%, respectively.

Investors will now be looking ahead to a big week for US corporate earnings, including from the likes of Netflix, Tesla and IBM.

US inflation remains high

Last week's US inflation data cemented expectations for another 0.75 percentage point interest rate hike by the Federal Reserve. The headline consumer price index (CPI) rose 8.2% year-on-year in September, only slightly lower than the 8.3% annual rise recorded in August.

UK economy shrinks by 0.3%

The UK's GDP shrank by 0.3% in August from the previous month, led by a 1.6% decline in manufacturing. GDP also fell by 0.3% over the three months to August, suggesting the 0.1% increase in July reflected a rebound from the Queen's platinum jubilee celebrations the previous month. Services fell by 0.1% in August, driven by cuts to health service spending and a 5.0% drop in arts, entertainment and recreation activities. Output in consumer-facing services declined by 1.8% following a 0.7% rise in July, according to the Office for National Statistics.

China's 'Golden Week' hit by Covid curbs

China celebrated a weeklong National Day holiday – known as Golden Week – at the beginning of October. The week is typically a peak period for travel and consumption, but tourism revenue this year was down 26.2% from a year ago and equal to just 44.2% of the revenue in 2019's Golden Week. Some popular tourism destinations remain subject to strict Covid curbs, resulting in many people choosing to stay close to home.

Authorities in cities such as Beijing and Shanghai tightened restrictions ahead of the Communist Party's congress, which began on Sunday. The congress will lay out the party's policy for the next five years. It is expected that president Xi Jinping will win a third term as party general secretary.

Rishi Sunak named UK's next PM

Stocks rose on Monday (24 October) as Rishi Sunak was named the UK's next prime minister. The announcement came shortly before the Conservative Party leadership nominations deadline, with Sunak's rival Penny Mordaunt pulling out of the race and backing him in the final minutes. The FTSE 100 ended the trading session up 0.6%, while Germany's Dax gained 1.6%. In the US, the S&P 500 added 1.2% ahead of a big week for third quarter earnings, including Microsoft, Alphabet, Meta Platforms, Apple and Amazon.

US homebuilder sentiment at a decade low

Over in the US, an index of homebuilder sentiment hit a ten-year low in October as rising mortgage rates and supply chain bottlenecks for building materials made new housing less affordable. The National Association of Home Builders / Wells Fargo Housing Market index dropped eight points to 38. That marked the lowest reading since August 2012, excluding a short-lived drop in spring 2020 when the US went into lockdown.

Meanwhile, mortgage applications fell by 4.5% in the week ending 14 October from a week earlier, and housing starts dropped 8.1% in September to a seasonally adjusted annual rate of 1.439 million units. The average 30-year fixed mortgage rate has hit 6.94%, the highest since 2002, according to the Mortgage Bankers Association.

ASSET CLASSES EXPLAINED

Even if you've just taken your first steps into investing, you've likely seen the phrase 'asset class' thrown around when referring to different types of investments.

An asset class is a way of grouping together certain investments – things with economic value that, when acquired, it's expected to deliver future financial benefit – based on shared qualities, including how particular laws and regulations govern them.

With this in mind, here is an explanation of the major asset classes all investors should be aware of.

1. STOCKS

Put; stocks represent shares in ownership of companies listed on the stock market. Stocks have the potential to experience high growth and present the possibility for incredibly lucrative rewards over time if the company becomes very successful.

Even if a company grows less rapidly, the stock market grows over time. This means that, on average, investors earn roughly a 7-10% return on their investments per year.

However, with the potential for high reward comes similarly high risk – and if a company you've invested in fails, you could lose money. Economic influences can make stock investments take a big hit –, particularly high-growth stocks such as tech start-ups.

2. BONDS

Bonds can be thought of as a kind of loan. When an investor purchases a bond, it represents a loan made to a government or corporate entity.

Typically, bonds pay the investor a fixed income regularly – usually each month. When the bond reaches 'maturity' – which can be two years or decades after the initial purchase – the principal payment is returned, considering factors such as the inflation rate when the bond was purchased. This will be stipulated in terms of the purchase of the bond.

You shouldn't expect exceptionally high returns from this asset class. However, they're also reasonably low risk – though high inflation can make a bond with fixed payments significantly less valuable.

3. CASH EQUIVALENTS

This asset class comprises investments such as Certificates of Deposits (CDs), treasury bills (in the US) and other money market vehicles.

As short-term investments, these low-risk, low-return investment vehicles are highly liquid, making them attractive because they can be exchanged for cash incredibly easily without the risk of keeping vast amounts of cash on hand.

Returns are also usually adjusted for the rate of inflation – or a fixed rate meant to mirror inflation of around 3% – making it more financially rewarding than most savings accounts.

4. REAL ESTATE.

The real estate asset class is defined by investments made in property, whether buying a property outright or investing in partial ownership of a property.

Real estate investments can comprise rental properties – in which the investor becomes a landlord of a property – or they can be properties that the investor renovates, later selling for a higher value, known as 'property flipping'.

Alternatively, instead of owning a property, the real estate asset class also contains trusts such as REITs, REIGs, RELPs and real estate mutual funds, in which investors can purchase shares and own an equivalent portion of an income-making property or properties which are operated and sold by the trust. As such, these investors receive regular income from the properties owned by the trust corresponding to the value of their investment.

Real estate often provides a regular income, and since property value tends to increase over time, it's a lower-risk, higher-reward asset class than many other asset classes. It's also worth noting that when other asset classes – such as stocks and bonds – are suffering, real estate usually performs well by comparison.

5. COMMODITIES

The commodity asset class comprises essential goods with tangible value in society, including energy commodities such as oil and gas, agricultural products like grain, and precious metals such as gold.

Commodities are influenced strongly by the available supply of the commodity – and, often, other commodities (for example, rising energy costs will typically result in the price of grain increasing since the agricultural industry depends on energy) and demand.

The performance of commodities is usually inversely correlated to the stock market's performance. So while they can be a risky investment due to the impact they sustain under unpredictable economic influences, they're an excellent tool for diversification against other asset classes.

6. CRYPTOCURRENCY

As the most recently formed asset class, cryptocurrency is a decentralised digital currency that can be exchanged for – usually virtual – goods. Transactions are recorded by multiple public ledgers using blockchain technology, which safeguards against counterfeiting and theft.

There are now thousands of different cryptocurrencies that can be mined or bought on crypto exchanges – including Bitcoin and Ether – which are increasingly being used by traditional financial and business entities.

Though they're a speculative investment subject to high risk – due to the lack of fundamental value underpinning the currency – the cryptocurrency asset class has skyrocketed in value over the last year. This value tends to be independent of many market influences that impact other asset classes.

THE EFFECT OF WORLDWIDE INFLATION ON YOUR INVESTMENTS

Around the globe, the rate of inflation has been increasing at an alarming rate, with the average for 2022 forecast at 8.8%.

In an attempt to combat this and slow down the economy – which is skyrocketing the price of consumer goods – dozens of countries, including the US, UK, India, South Korea and many more, have raised interest rates to increase the price of borrowing.

The cumulative effect of these two events has significant consequences for investors, with asset classes being influenced to differing extents by these economic pressures.

OVERALL, THE STOCK MARKET FALLS.

In general, rising interest rates caused by inflation facilitate a drop in stock prices for several reasons.

When interest rates are high, borrowing costs increase, discouraging businesses from fuelling fast growth with loans, resulting in slower business growth. During times of high inflation, consumers also typically buy less since the price of goods is high, which contributes to lower business activity.

As such, the value of company stocks is lower compared to normal economic conditions.

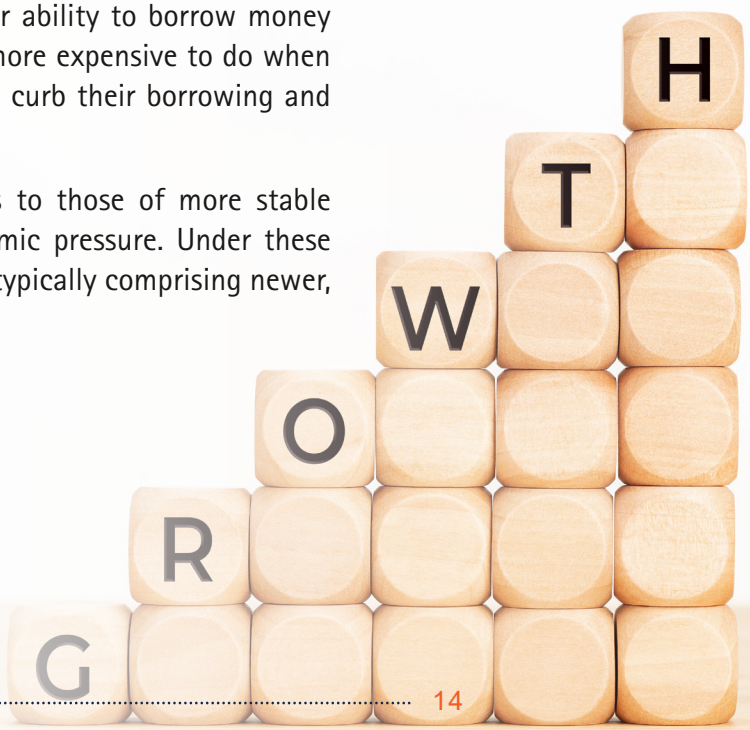
In the short term, investors migrate away from the stock market and choose to put their capital in fixed-income investments, providing a safer alternative to volatile stocks when interest rates are high. They offer a regular income to the investor. This makes stock prices drop even further.

HIGH-GROWTH STOCKS ARE HIT HARD.

High-growth stocks are some of the assets worst hit by raising interest rates.

This is because high-growth companies rely on their ability to borrow money to fuel their rapid growth, which gets significantly more expensive to do when interest rates are raised, forcing these businesses to curb their borrowing and slow their growth.

Noting this, many investors flee from these stocks to those of more stable companies less prominently affected by this economic pressure. Under these circumstances, share prices of high-growth stocks – typically comprising newer, small-medium companies and start-ups – plummet.



LARGE, STABLE COMPANIES WEATHER THE CHANGE BETTER.

On the other hand, the price of stocks belonging to larger, more established, slower-growing companies tends to decline less during this time due to these businesses' healthy cash flow and decreased reliance on borrowing.

Though they still tend to decrease in value due to these harsher economic conditions, established, slower-growing stocks experience a minor hit than their high-growth counterparts.

FIXED-INCOME MARKET INCREASES IN POPULARITY.

During periods of high inflation and rising interest rates, many investors opt to pull out of high-growth investments and redirect their capital into value stocks, contributing to the reduced price of growth stocks.

These more stable companies typically have a strong cash flow and pay investors a regular income, making them a more attractive option during economically testing environments.

As such, these investments gain popularity and experience higher comparative performance compared to other investment types in normal market conditions.

BONDS BECOME LESS VALUABLE.

Bonds are one of the worst-hit asset classes during periods of high inflation, with the price of bonds on the market currently declining.

This is because bonds typically have fixed interest rates, which are devalued in a high-interest rate climate, similarly lessening the bond's value at maturity.

In addition, new bonds are always issued, and these will have interest rates aligned more closely to those in the current economic climate, making them more attractive to investors.

This contributes starkly to the price decline of bonds currently on the market, as these bonds must adopt a more competitive price to appeal to investors, despite their comparatively low-interest rates.

A MIXED EFFECT ON COMMODITIES.

Current economic conditions – high inflation and high-interest rates – are thought to harm commodities after years of prospering growth in this asset class.

Inflation typically has a positive correlation with the price of commodities. However, this summer, the cost of items such as precious metals, energy, and agricultural products such as corn has declined after years of high growth and high market prices – likely due to hiked interest rates (designed to curb inflation) and other market influences.

The price of commodities is expected to decline further – except for natural gas prices, which are still in huge demand due to the Russian conflict.

REAL ESTATE.

Compared to other asset classes, real estate investments tend to weather inflation and rising interests well, with their net income increasing during these economic conditions.

This is because, alongside inflation, property values increase, and rent can be expected to increase, too, generating more income for real estate investors.

This makes real estate investments – whether privately owned holdings or shares in investment vehicles such as REITs – suitable investments to hedge against the detrimental effects of many other investment types in this current economic climate.

ONE OF US

In 'One of Us', we share intimate conversations with colleagues, thought leaders, and financial experts to educate, enlighten, and entertain you.

This month we caught up with our Europe Managing Director-**Alan Copley**

Q: Thank you so much, Alan, for taking the time to do this interview. Let's start by informing our audience about your background and role with AMA.

A: Thanks for giving me the opportunity. I was born in the UK to Irish parents, and I suppose you could say I had a strict upbringing. My father was in the military, so during my early years, we moved regularly. Eventually, I was sent to a military boarding school where I flourished academically and in sports. I became very passionate about rugby, which greatly influenced me and taught me a lot about the importance of Teamwork.

I was always very self-motivated and started my early career in sales. I quickly worked my way into Management and became a very successful Sales Trainer and Development Coach, managing a large international Sales Force.

My introduction to Financial Services was initially in the corporate space, with a Venture Capitalist organisation mainly funded by one of Australia's wealthiest entrepreneurs. After developing a Europe-wide Distribution Network for them, I moved into an IFA role dealing with wealth management for private individuals. I have enjoyed the journey since then and had a lot of success with various financial organisations. More importantly, I find it extremely fulfilling to help people build and improve their financial futures.

Austen Morris approached me as they sought help setting up a European company to complement their already successful global Network. Since then, we have established 'Austen Morris Associates Europe' (AMAE) in Frankfurt. As MD, I have many responsibilities; one fundamental priority is to work with our recruiting team to find like-minded, qualified consultants that are prepared to work hard to represent AMA in all the key locations across the EU. This is ongoing and already proving successful. I aim to grow AMA in Europe and make it as successful as the company in other parts of the world.

Q: What is a typical day in the life of an MD in Europe for AMA?

A: As explained in my previous answer, right now, we have some priorities.
Otherwise, ensure that we collectively care for our clients and constantly improve. That our consultants have what they need to provide the best service to existing clients and can find more potential clients.

Q: Who are your clients? What concerns them the most at this moment?

A: There is no typical client, as everybody is unique and different, but generally, my clients are made up of Expatriates. Most of them have moved overseas to further their careers, find it rewarding and are growing financially. They understand the value of having a financial consultant that they can relate to speaks their language, and who understands their needs now, in the near future and looking ahead to retirement,

Today their concerns are pretty much the same as most of us. They have experienced Covid and came out the other side into a changed corporate culture where they are still trying to balance the work / social ethic. Then we have the Russian invasion of Ukraine, causing death and destruction to innocent people. That is the reality, but nobody was ready for the repercussions it has caused, affecting almost every aspect of our lives. I talk regularly to my clients, and like most of us, they accept that we should all share some of the significant burdens being thrust upon us. However, they also want to know what will become of their investments:

I put my client's needs first and have always been honest with them. I explain that we are in unfamiliar territory right now, and the closest we can come in comparison would be the financial crash of 2008. Although it was caused for entirely different reasons, the market situation is similar. Back then, my advice to all clients was to be patient, that we would continue to monitor their well-diversified portfolios, but generally, ride out the storm. It proved then to be the best advice, and I believe it to be the same today.

Q: If you could give one piece of advice to any potential investors, what would it be and why?

A: That is a good question. My advice initially is to 'Get Started'. I explain that once they have made that vital decision to take advice, my job is to sit down with them, look at where they are today, and plan for where they want to be in the near future and eventually in retirement. But most importantly, to join them now, guide them on their journey, and always be there to give advice and reassurance when needed.

Q: What are your interests outside of AMA? What do you do to relax and unwind?

A: I have always considered myself to be a bit of a sports fanatic. Rugby was my chosen sport, but I have long since hung up my boots and taken up golf. A very frustrating sport sometimes but always a good walk!! I follow international rugby and have been a Chelsea football fan since I could walk. I generally try to keep fit and find it much easier than relaxing and doing nothing.

I try to spend as much time with my children as possible, which works for those close by but is difficult for those abroad. I like to read and love a good thriller.

Q: If you decided to retire tomorrow, what would you do to keep yourself busy?

A: I don't expect to retire fully; I like what I do and will always keep in touch with that aspect of life. I would probably spend more time travelling to visit family, see what parts of the world I have not yet seen, try to stay fit and healthy, and even play more golf!!

TOP 7 HABITS OF ULTRA-SUCCESSFUL PEOPLE

It's a complete myth that highly successful people are born that way – that these people are born motivated, destined to achieve all their goals and never once experiencing failure.

However, the most significant difference between highly successful people and those who aren't is their habits: the regular practices they implement into their lives to propel them towards their goals.

The good news is that anyone can work to develop success-nurturing habits, and by adopting the practices of those you admire, you'll be in a better position to make your life look more like theirs – in other words, ultra-successful.

Here are the top 7 life habits commonly implemented by successful people.

1. GOAL SETTING.

Our goals can only be reached through a planned vehicle, in which we must fervently believe and upon which we must vigorously act. There is no other route to success. – Picasso

Successful people don't achieve success by accident – they make a plan and act each day intentionally to get closer to the future they envision. The foundation of this is practical goal setting.

For long-term goals, successful people commonly use the 'SMART' method, allowing them to create goals that are Specific, measurable, attainable and realistic goals that stipulate the time frame in which the goal must be completed.

In the short term, highly successful people often create daily to-do lists to prioritise the tasks each day that will bring them closer to achieving their goals in the long term.

2. READING.

Highly successful people prioritise learning, self-improvement, and continuous education through reading.

Numerous studies have shown the positive effects that reading has on the brain, so it's no wonder that reading is among the top habits shared by ultra-successful people.

However, their preferred reading material tends to centre on self-improvement or topics relevant to their field/industry so they can stay competitive among their peers and be as well-informed as possible when making decisions that could further their success.

3. MAKING HEALTHY CHOICES.

Successful people prioritise their health much more than the average Joe, with diets high in whole foods and low in processed sugars and fats, and workouts are a staple of their weekly schedule.

The diets of the highly successful promote concentration and focus, while regular exercise improves confidence and self-esteem; these lifestyle components contribute not only to better physical health but to mental health, which is essential to maximising productivity and efficiency at work.

4. WAKING UP EARLY.

Though not all ultra-successful people wake up early, many do, which helps to drive their success in several ways.

For one, waking up early means you have a few hours before the start of the working day to work on possible side projects, read, or squeeze in a workout – things that can easily be forgotten if they're left until later on.

Additionally, waking up early is conducive to sleeping better at night since exposure to a greater number of daylight hours makes you more tired in the evening and, thus, less likely to experience difficulty getting to sleep. And, as any successful person will tell you, getting enough sleep is crucial to being able to focus and be your most productive during the day.

5. SPENDING TIME WITH THE RIGHT PEOPLE.

Jim Rohn famously stated that we are the average of the five people we spend the most time with.

While this might be over-generalising, there's no doubt that the people we surround ourselves with influence our lives.

With this in mind, successful people make a habit of spending time with similar motivated, driven people and are inspired by them to push harder towards their own goals.

6. CARVING OUT TIME FOR REFLECTION.

Successful people approach life intentionally and adapt their course according to whether or not their efforts towards their goals are working.

An essential step to achieving this is self-reflection.

So, successful people prioritise reflecting on where they are, where they want to go, whether they're on track to get there and – if not – what changes they need to make to do so.

This allows them to get to their end destination as efficiently as possible, as they're constantly assessing whether the way they're currently living life is optimal.

7. TAKING ACTION.

A key quality uniting every successful person is that they don't just talk – they do.

After setting their goals and planning how to achieve them, they do what they say they're going to.

One of the biggest mistakes less successful people make is waiting for the perfect opportunity to set their plan into action whether this is to put off starting a business, adopting a healthy lifestyle or another person or career ambition – while highly successful people dive straight into the deep end, even if they don't feel completely ready.

As the saying goes, the best time to plant a tree was ten years ago, but the second best time is right now.

WHY INTEREST RATES ARE SOARING (BUT NOT FOR SAVINGS ACCOUNTS)

Across the world, interest rates have skyrocketed, with banks increasing the cost of borrowing all over the globe.

This means that getting – and paying off – mortgages, credit cards and many other types of loans is more expensive.

In an attempt to slow down the rate of inflation, which is the highest it's been in decades, dozens of countries – including the US, UK, South Korea, India and numerous European states – have increased interest rates in the hopes of slowing down price increases on everything from groceries to utilities.

WHY HAVE INTEREST RATES INCREASED?

Raising interest rates is thought to slow down the economy and suppress the rate of inflation, which is currently making the price of consumer goods soar.

The rationale behind this is that raising interest makes it more expensive to borrow money and discourages borrowing due to the inflated cost of doing so. Not only does this tighten consumers' purse strings, but it also prevents businesses from expanding too quickly, contributing to the inflated prices of goods.

These inflated prices result from an array of factors, including high demand, lower-than-average supply, the rising cost of energy and the lingering financial consequences of the pandemic, among others.

On the reverse, raising interest rates is meant to encourage saving since – in the past – this has usually meant that interest rates associated with savings accounts have also increased.

These two effects should, in theory, reduce what people are willing to spend on goods, and they resultantly buy less. Subsequently, this slows down the growth of businesses as they make fewer sales and are encouraged to drop – or deflate – prices to entice customers into buying.

Thereby, the rising price of goods is slowed, and inflation should be reduced.

WHY HAVEN'T INTEREST RATES RISEN FOR SAVINGS ACCOUNTS?

As we've mentioned, typically, raising interest rates means that loans offered by banks cost more, making borrowing more expensive.

This usually coincides with banks raising the interest offered on savings accounts to encourage saving and discourage excessive purchasing of goods. However, in the case of most savings accounts currently, this isn't the case.

In general, the interest rates of savings accounts are determined by how desperate banks are to attract customers to receive their deposits and provide them with lending power.

This lending power is obtained as a result of the capital deposited by customers of that bank, which can be loaned to other customers, allowing them to make money from the interest paid on those loans subsequently.

As can be surmised from the staggeringly low-interest rates offered by many banks on their savings accounts, many traditional banks feel they have deposits worth a high enough value to cover their lending needs and don't need to entice new customers to open savings accounts with them.

As such, the interest rate associated with many savings accounts has remained low despite the rising interest rates of everything else.

IS THE RATE OF INTEREST INCREASE ON SAVINGS ACCOUNTS LIKELY TO INCREASE?

Although many banks offer very poor interest rates on their savings accounts – especially considering inflation and the rising cost of borrowing – some offer the highest interest rates in decades.

In particular, smaller and/or online banks, some of whom are offering around a 3% interest rate on deposits held in savings accounts by their customers.

While this is still significantly lower than the rate of inflation and the overall increase in interest rates – it's a significant boost compared to the 0.01% offered by many traditional banks and could help consumers earn hundreds more per year by simply switching banks.

What's more, if many more people began to switch to banks offering higher-interest savings accounts, it would force bigger banks to make the interest rates on their savings accounts more appealing to remain competitive.

Otherwise, they won't have enough capital to fulfil their lending needs.

WHY DON'T BANKING CUSTOMERS SWITCH TO HIGHER-INTEREST SAVINGS ACCOUNTS?

As we touched on briefly, if customers choose to open savings accounts with banks that offer higher interest rates, the average person could earn hundreds more per year in interest (while the wealthier could even earn thousands).

However, many overestimate the time and effort it takes to switch accounts and fail to realise how much they could earn each year by simply shopping around for high-interest savings accounts and making the switch.

So, if you want to make the most of the current economic climate, it's worth comparing savings accounts between banks to increase what you earn through interest each year and maximise the value of your savings.

GROW FINANCIALLY WITH AMA

At Austen Morris Associates, we know how the right financial decisions can make all the difference to your long-term security, quality of life and the realisation of your dreams. We also understand the importance of working closely with you over the long-term to understand your unique needs and help to meet any challenges along the way.

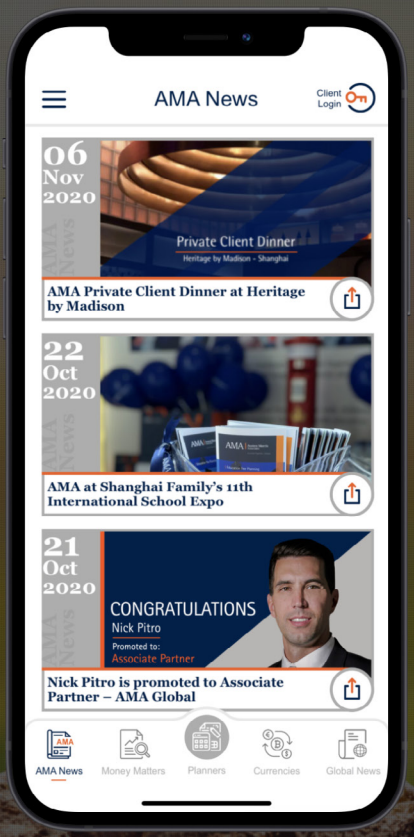
Since 1994, we have been committed to the core values of trust, professionalism and partnership to the benefit of our International Clients around the world, resulting in the successful long-term relationships that are the foundation of Austen Morris Associates today. As Independent Financial Advisors, we provide unbiased advice and give you access to the world's top investment management groups.

Our Consultants offer a wealth of experience in providing a full spectrum of financial advice. Our commitment to ensuring your peace of mind reinforces our focus on trust and partnership. By focusing on your specific needs and situation, we tailor plans to reach your financial goals while maximising the benefits of international investing.

Austen Morris Associates is a truly international company with its global registered office in Seychelles and wholly-owned registered offices in China, South Africa, Hong Kong, Mauritius, the USA and the Philippines. To begin your journey towards total financial security, we invite you to meet with one of our Consultants to understand our financial planning approach and why our clients become loyal and long-term partners.

Get in touch with us today for a free no-obligation consultation.
https://austenmorris.com/contact-us/

AMA | Austen Morris Associates



Get currency alerts and rates, global finance news, monitor your investments, and more

Download on the App Store

GET IT ON Google Play

Android Direct Download

https://austenmorris.com/mobile-app/

www.austenmorris.com