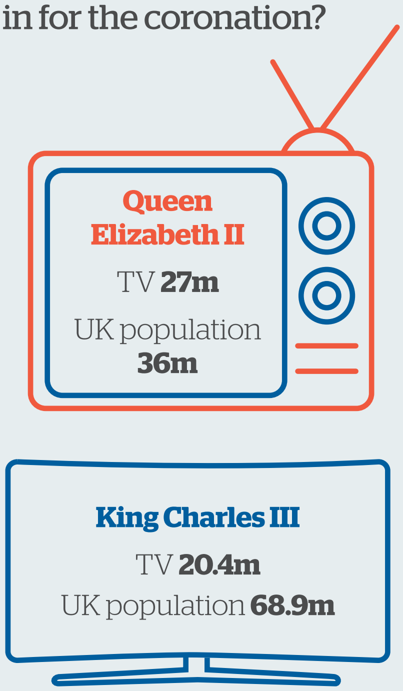
A tale of two coronations

Two monarchs crowned, 70 years apart. In 1953, Queen Elizabeth II's coronation came in the wake of a global conflict, as the UK turned to face an uncertain post-war future. This year, King Charles III has been crowned following a global pandemic, as a cost of living crisis engulfs the UK population.

But how does King Charles' coronation landscape shape up next to Queen Elizabeth's? And what should we expect for the UK in the aftermath of the coronation?

How many people tuned in for the coronation?



Sources: Official viewing figures, The Royal Household

The state of the nation: struggling in a brave new world

1953

Britain began the 1950s in a threadbare state. The cost of fighting World War II had taken its toll on the nation's coffers, with gold and currency reserves run down, and many overseas assets sold to fund the conflict. The war had also done six years' worth of damage to UK exports, and redirecting a large proportion of the British workforce to the war effort had left economic growth on the back foot. Rationing was still in place, and there was an acute quality housing shortage.

Against this backdrop, an exhausted nation prepared to celebrate Queen Elizabeth's coronation. Fortunately, not all was doom and gloom. Higher taxes may have been painful amid post-war poverty, but they had led to the birth of the National Health Service (NHS) in 1948, as well as an expansion in state pensions and social security. Turning an eye to the global stage, on the eve of the coronation, news arrived that Edmund Hillary and Tenzing Norgay (members of a British expedition, of which Prince Philip was patron) had become the first confirmed people to reach the summit of Mount Everest.

2023

The queen's coronation came in the wake of a world war, but the king's followed on the heels of a world-changing event of its own. The COVID-19 pandemic claimed the lives of millions, and forced huge evolutions in the way we live, travel and work.

Conflict is still close at hand too: Russia's ongoing invasion of Ukraine has played out vividly in the backdrop of the post-pandemic world. Besides the terrible human cost of this conflict, it has also contributed (via energy and food markets) to the emergence of a well-publicised 'cost of living' crisis. Meanwhile, successive political disasters have engulfed the UK government, and the UK is still struggling to adapt to the post-Brexit era.

Inflation and interest rates: post-war versus post-pandemic

1953

In the years following World War II, a shortage of goods and the gradual end to price controls pushed consumer costs higher. At the time of the queen's coronation, inflation (measured by RPI, the Retail Price Index) was running at 2.6%. While this might seem relatively low, this figure came on the heels of double digit inflation just one year earlier, meaning that prices were already elevated, but were now rising less slowly. Against this backdrop, interest rates were set at 3.5%.

2023

At the time of King Charles III's coronation, inflation was 13.5% (again, measured by RPI). A number of factors played into this, including the wave of pent-up demand for goods and services released following the lockdown era, as well as extremely high energy costs. Most recently, high food costs have been blamed for stubbornly high inflation. Against this backdrop, the Bank of England set interest rates at 4.25% at the time of the coronation (now raised further to 4.5%).

Financial markets: a rapid evolution

1953

When Queen Elizabeth II was crowned, the stock market was incredibly cheap by today's standards. The most reliable historic data in this regard is probably the S&P 500 Index, which charts the value of the largest US-listed stocks over time. The index doesn't use currency units like dollars, but instead charts price changes over time through an index value. In June 1953, the index value given to the S&P 500 was 24.

2023

In May 2023, the S&P 500's index value was 4,071 – dwarfing its 1953 value. During the intervening 70 years, the depth and range of financial markets has also evolved dramatically. Beyond traditional bond and stock markets, an enormous range of new asset types have emerged, from complex hedge funds to niche areas of debt. Thanks to globalisation, technological advances and social change, financial markets have also become much more accessible, and many more people and businesses participate in markets than in 1953.

The aftermath of a coronation: what comes next?

1953

Despite its meagre beginnings, the 1950s played host to some of the UK's most rapid ever economic growth. A year after the queen's coronation, inflation had fallen to very low levels, and interest rates had been lowered slightly (from 3.5% to 3%), encouraging economic growth.

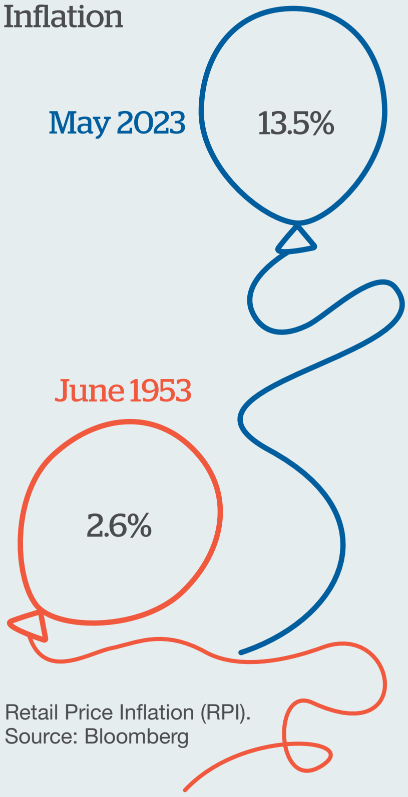
By the end of the decade, the economy was booming. Wages and standards of living had risen, urban landscapes were reinvented and rebuilt, and the decade began a sea change in levels of home ownership.

2023

In sharp contrast to the boom years following the queen's coronation, we think that global growth will slow from here: the inevitable consequence of global central bank policies to rein in inflation. And while we think inflation may have reached its peak, we also think that (contrary to the 1950s) consumers will be obliged to adapt to higher inflation than the ultra-low levels to which we've become accustomed in recent years. Similarly, interest rates may be approaching their peak this time around, but the Bank of England is likely to hold them steady for the time being.

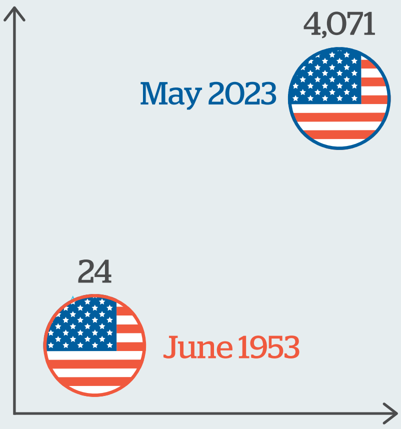
Nevertheless, while we anticipate a period of slower growth in the opening chapter of King Charles III's reign, we would remind readers that the global economy moves in cycles, through periods of expansion and contraction. No outcomes can ever be guaranteed, but if the period of slower economic growth ahead is well managed by global policymakers, and absent another shock, it could create the foundations for a robust recovery to come.

Inflation



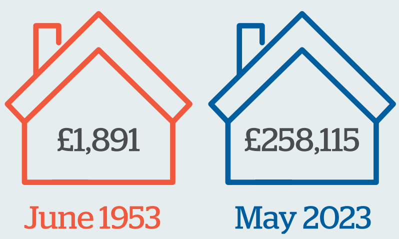
Retail Price Inflation (RPI).
Source: Bloomberg

Value of the US stock market



S&P 500 Index values. Source: Bloomberg

Average house price



Source: Nationwide House Price Index
(Q2 1953 and Q1 2023)

To find out more please get in touch:

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Assessing the performance of our investment strategies

Our 'target return' performance benchmarks

Most of our investment strategies aim to deliver financial returns at levels linked to the rate of UK inflation (measured by the Consumer Price Index, or CPI). Over any given five-year period, these strategies target returns which are a pre-defined level above the rate of inflation. Our CPI-linked goals are known as the strategies' target return benchmarks, and are designed to help customers evaluate the strategies' performance in a real-world context. These targeted returns range from CPI+1% for our lowest risk (Defensive) strategies up to CPI+4% for our higher risk (Growth) strategies. Our highest risk (Adventurous) strategy is the exception, as it does not use a CPI-linked goal. Instead, this strategy aims to beat the returns offered by the global stock market (represented by the MSCI All Country World Index).

If the strategies deliver total financial returns to investors (after all costs and charges have been taken) equivalent to the total return of their target return benchmarks, we consider the strategies to have achieved their targets.

Our financial market performance benchmarks

The performance of our investment strategies can also be compared to representative indices for two of the main asset types in which most of the strategies invest. These indices are 'MSCI United Kingdom (£) – net total return' (representing the performance of UK shares) and 'BoA Merrill Lynch UK Gilts' (representing the performance of conventional UK government bonds). These indices are known as the strategies' comparator benchmarks, and are designed to help clients evaluate the strategies' performance in a financial market context.

It is important to note that financial returns are not assured: there is no guarantee that the strategies' performance objectives will be met, or that a positive return will be delivered over any time period. When you invest, your capital is at risk.