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Monthly Market Update



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“Global bond yields fell, leading prices to rise as inflation eased and anticipation that this will lead to further interest rate cuts grew”



Matthew Cove DipFA
Director
01304 371 753

July Market Commentary

Overall global equities gained in July, with the best performing markets being Japan and the UK. However, emerging and Asian markets struggled. Furthermore, the best returns were achieved by companies that were value oriented and smaller in nature, which subsequently outperformed larger growth companies.

Government bond yields fell, which meant that prices rose across major global bond markets as inflationary pressures eased.

United Kingdom

FTSE All Share: 3.13%

UK equities were boosted by Labour's landslide general election victory, which fuelled hopes for a sustained recovery in the domestic economy. This was also supported by a pick-up in business confidence as the purchasing managers' indices (PMIs) for the services and manufacturing sectors suggested the recovery in UK GDP data for May had continued into June.

Furthermore, investor expectations of interest rate cuts built, as it was revealed that inflation held steady at 2.0% in June, which also helped the UK market make meaningful gains.

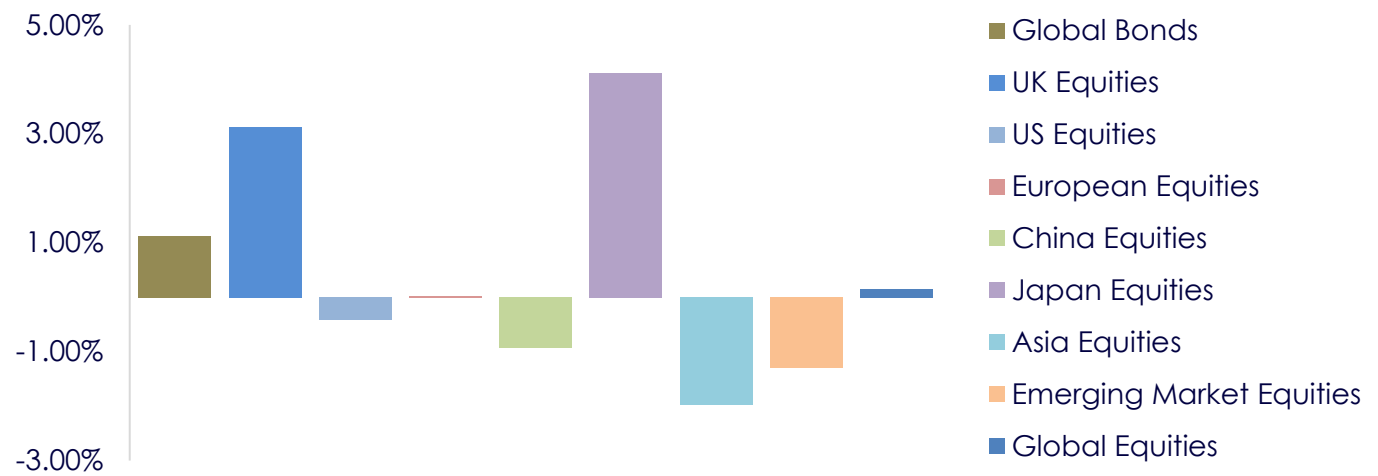
United States

S&P 500: -0.41%

In local currency terms, US shares gained in July. However, UK investors returns were impacted by the Pound strengthening against the US Dollar, making returns slightly negative. As per the global trend, domestically focussed smaller US companies outperformed the larger companies.

0.3% in Q2 2024. However, Germany saw a -0.1% fall in GDP. Meanwhile, inflation for July was estimated to have risen slightly to 2.6%. At its July meeting, the European Central Bank (ECB) kept interest rates on hold, as expected. ECB Governor, Christine Lagarde, said a decision on a possible cut in September was "wide open" and dependent on incoming data. The flash eurozone PMI indicated that the eurozone economy was near stagnation.

Discrete Quarterly Performance as at 31/07/2024



Towards the end of July, the US Federal Reserve (Fed) held interest rates at 5.25%-5.50%, but indicated that a cut could come at their next meeting in September. This was supported by inflation coming down to 3.0% in June, from 3.3% the previous month. Furthermore, data also showed that the US economy grew at a 2.8% annualised rate in Q2.

Elsewhere, President Joe Biden withdrew from this year's presidential race and endorsed Vice President, Kamala Harris, as the Democratic nominee. This had little impact on markets.

Europe

FTSE Developed Europe ex UK: 0.03%

Eurozone shares were flat in July. There were some strong quarterly corporate earnings reports and positive outlooks released, but there were also signs of weakening consumer demand, which weighed on investors. Data showed that eurozone GDP growth was

China

CSI 300: -0.93%

Chinese equity markets fell last month, due to continued challenges in the real estate sector and the spillover effects that this has had on the broader economy. However, Chinese authorities implemented measures to provide liquidity support to the financial system, which aim to stimulate lending and support economic growth amid the ongoing market challenges.

Japan

MSCI Japan: 4.12%

Despite the heightened volatility in Japanese equities during July, the market reached a historical high before correcting. These significant market swings appear to be caused by speculative investor activity, rather than by any changes in underlying corporate fundamentals, especially as Japanese macroeconomic conditions remain solid.

The Yen appreciated against other currencies as the Japanese government intervened following the release of weak US inflation data, which indicated that the Fed might cut interest rates more sharply. On 31 July, the Bank of Japan (BOJ) raised its policy rate to 0.25% from 0-0.10%, which further supported yen strength.

Emerging Markets

MSCI Emerging Markets: -1.29%

Emerging market equities lagged developed markets, with both China and Taiwan being a drag on the index, with the latter being impacted by the broader global sell-off of technology related stocks. Turkish equities fell on currency weakness, whilst a delay in expectations of the timing of the first interest rate cut weighed on equity returns in Poland.

On a positive note, South Africa performed well, with equities being supported by ongoing strength in the gold price and optimism about the economic policies of the newly formed "Government of National Unity".

Global Bonds

Bloomberg Barclays Global Agg: 1.13%

July was a positive month for global bond markets. Yields dropped across all major markets, as inflationary pressures eased and investors anticipate interest rate cuts.

In the US, lower inflation and signs of slowing growth, provided enough reason for the Fed to open the door for interest rate cuts at its September meeting. However, the Fed kept rates unchanged at their July meeting.

Similarly, the ECB appeared to pave the way for a further interest rate cut in September, despite the small up-tick in inflation. French government bonds recovered previous months losses following the unexpected hung parliament election result.

UK Gilts also participated in the month's bond market rally as investors eagerly awaited the Bank of England's announcement at the start of August. The market was split on whether the rate cut would occur at this meeting or the subsequent one in September.

All investment involves risk. It is important you understand that past performance is not a guarantee of future performance. The value of investments and any income derived from them may go down as well as up and you might not get back the full amount you invested.

Cumulative Performance and Annualised Volatility as at 31/07/2024

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	3.18	-7.34	-11.31	6.13
UK Equities	13.54	27.10	32.37	14.26
US Equities	21.81	40.52	87.05	13.78
European Equities	10.23	16.59	42.14	14.41
Japan Equities	16.40	24.14	38.75	12.32
Asia Equities	10.98	11.77	37.55	16.16
China Equities	-12.68	-25.47	-8.75	16.57
Emerging Market Equities	6.45	-0.41	12.74	14.34
Global Equities	18.54	32.04	68.43	13.14

Data source FE Analytics 31/07/2024. Indices used: Global Bonds: Bloomberg Barclays Global Aggregate, UK Equities: FTSE All Share, US Equities S&P500, European Equities: FTSE Developed Europe (Ex UK), Japan Equities: MSCI Japan, Asia Equities: FTSE World Asia Pacific (Ex Japan), China: CSI 300, Emerging Markets Equities: MSCI Emerging Markets, Global Equities: MSCI World. Volatility annualised over 5 years.

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