



**THROGMORTON**  
PRIVATE CAPITAL

# Monthly Market Update



## July 2024

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### Q2 Market Commentary

“Asian & emerging equities performed strongly compared to developed markets, but global bonds fell as inflation remained persistently sticky”

Asian and emerging markets performed strongly in Q2 2024 and subsequently outperformed developed markets. Stocks related to Artificial Intelligence (AI) also continued to perform strongly. The European Central Bank (ECB) cut interest rates, but persistent inflation meant that other major central banks, such as the US Federal Reserve (Fed) and the Bank of England (BoE), kept interest rates on hold. In aggregate, global bond yields rose over Q2, which meant prices fell.

#### United Kingdom

FTSE All Share: 3.73%

UK equities rose during Q2. The FTSE 100 achieved a fresh all-time high closing level. Other indices for smaller / midsized UK companies also performed well following a flurry of takeover activity.

Having suffered a mild recession over the second half of 2023, the UK economy rebounded strongly in Q1 2024, recording GDP growth of 0.7%. Meanwhile, inflation fell back to 2.0% in May, hitting the BoE's target for the first time since July 2021.

The BoE maintained interest rates at 5.25%. This was amid market concerns that the fall in UK inflation may only be temporary, and that wage inflation remains high.



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## United States

S&P 500: 4.11%

US shares gained in Q2 2024 as investor enthusiasm for AI continued and US companies published strong earnings outlooks.

Investors remained focused on the likely timing and extent of interest rates cuts during Q2 2024. The latest "dot plot", showing the rate setting forecasts of Fed policymakers,

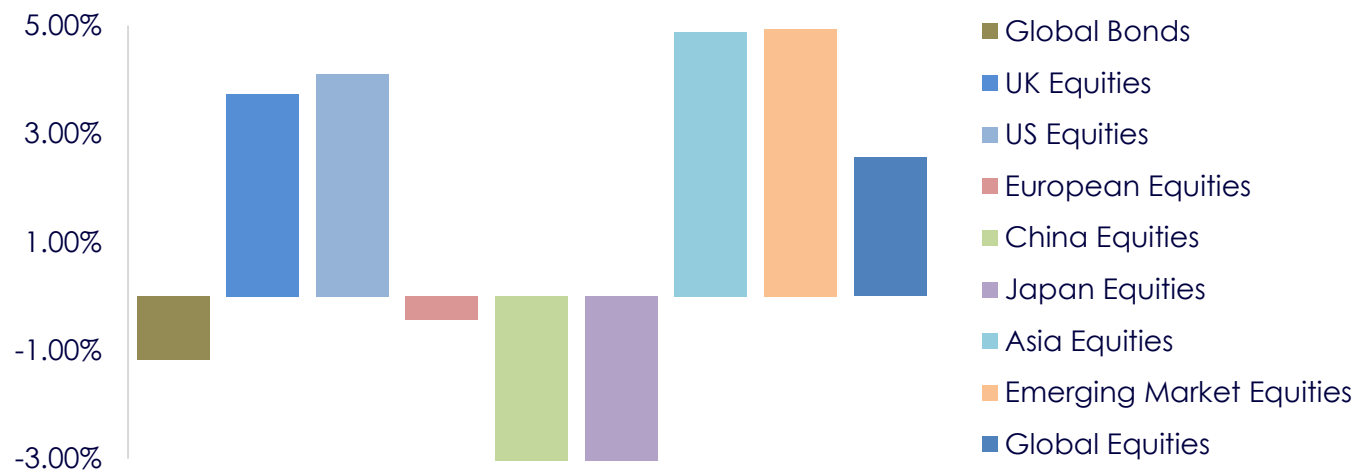
Politics were in the spotlight. European parliamentary elections saw gains for right-wing nationalist parties, which was notably the case in France, where President Macron called parliamentary elections, surprising markets and leading to poor returns for French equities.

## China

CSI 300: -3.20%

After a poor start to Q2 2024, shares in China

### Discrete Quarterly Performance as at 30/06/2024



indicated just one rate cut this year.

Inflation eased slightly to 2.6% in May, but the US labour market remained strong, with 272,000 jobs added.

## Europe

FTSE Developed Europe ex UK: -0.43%

Eurozone equities fell amid uncertainty caused by the announcement of parliamentary elections in France and dwindling optimism about the pace of interest rate cuts.

The ECB cut interest rates by 0.25% points in early June. However, the scope for further cuts may be limited by persistent inflation. Inflation in the eurozone was up to 2.6% in May, from 2.4% the previous month.

Forward-looking data pointed to a slowdown in the eurozone's economic recovery. The Purchasing Managers' Index (PMI) dipped to 50.8 in June from 52.2 in May, signalling contraction.

recovered towards the end of the quarter, as low valuations for many Chinese stocks encouraged Asia-focused investors to cautiously return to the market following concerns about India's high valuations and Japan's continued currency weakness. Optimism about the authorities' support for the housing sector and President Xi's reform rhetoric was also beneficial. However, in Sterling terms, the market finished down.

## Japan

MSCI Japan: -4.33%

In domestic currency terms, the Japanese equity market generated a positive return of 1.7% during Q2 2024. However, as the Japanese Yen continued to depreciate, the return for foreign investors was negative.

Additionally, real wage growth remained negative, which resulted in stagnant consumer sentiment so far this year. However, the record-high number of inbound tourists has

contributed to increased spending in Japan, which has supported consumption. Q2 2024 also saw stronger-than-expected annual corporate earnings results.

## Emerging Markets

MSCI Emerging Markets: 4.93%

Emerging market equities finished ahead of developed peers in Q2 2024. Turkey was the best performer, helped by optimism that economic policy will remain orthodox. Taiwan also posted a double-digit return against a backdrop of continued investor enthusiasm for technology stocks, particularly AI related names.

South Africa was another top performer, as investors welcomed the results of the country's general elections, which led to the African National Congress retaining power. The story was similar in India as Prime Minister Modi's party (BJP) retained its parliamentary majority and boosted equity returns.

The remaining markets underperformed, including Korea and some of the energy-

related markets such as Kuwait, UAE, Colombia and Saudi Arabia.

## Global Bonds

Bloomberg Barclays Global Agg: -1.17%  
Q2 2024 commenced on a disappointing note for global bond markets, spurred by renewed concerns about US inflation causing investors to reassess the timing of interest rate cuts. However, market sentiment improved as data from the US showed encouraging news on inflation. Political risks also impacted bond markets, especially the parliamentary elections in France which led to localised weakness.

Central banks were firmly in the spotlight. In the US; the Fed kept interest rates on hold with revised forecasts suggesting just one cut over the rest of 2024, which was less than anticipated earlier in the year. Meanwhile, ECB cut interest rates by 0.25%, but the accompanying statement and upgrade to inflation forecasts were construed by the market as relatively hawkish. Elsewhere, the BoE decision to keep interest rates unchanged was dubbed as "finely balanced".

**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 30/06/2024

	1 Year %	3 Years %	5 Years %	Volatility % <sup>2</sup>
Global Bonds	1.50	-7.76	-9.10	6.34
UK Equities	12.98	23.90	30.93	14.23
US Equities	24.71	43.48	97.96	13.90
European Equities	12.19	18.39	44.71	14.41
Japan Equities	13.80	16.96	38.70	12.32
Asia Equities	16.49	10.13	44.06	16.15
China Equities	-7.18	-30.99	-3.94	16.71
Emerging Market Equities	13.19	-6.50	17.27	14.37
Global Equities	20.88	33.34	75.67	13.23

Data source FE Analytics 30/06/2024. 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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