



**Market Commentary**  
June 2024

# MARKET COMMENTARY

June 2024

## SNAPSHOT

- Equities continue to move higher but closed down from mid-month highs.
- Bonds marginally positive as rates sentiment shifted with each fresh data point.
- UK markets fairly muted on early UK election announcement.

All percentages below are monthly returns for May 2024

## EQUITIES



## BOND MARKETS

### BONDS

Sovereign bonds outperform credit

	UK GILTS	0.8%
	US TREASURIES	1.5%
	GLOBAL CORPORATE BONDS	0.0%
	GLOBAL HIGH YIELD BONDS	-0.4%



\*Values represent bond index returns

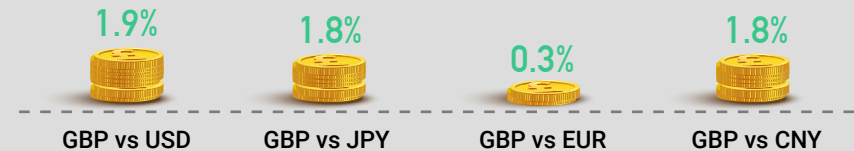
## CURRENCIES

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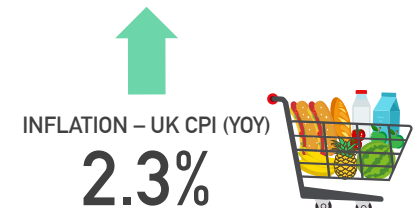
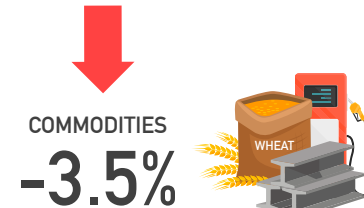
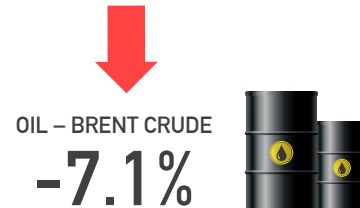
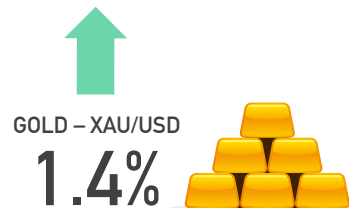
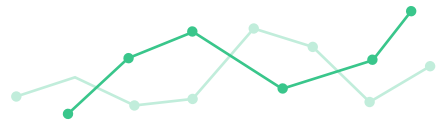
Pound gains



#### Pound vs Other Currencies



## KEY INDICATORS



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# GLOBAL MARKETS

The dominant theme affecting global markets was the potential divergence in monetary policy between major central banks, particularly the ECB and the Fed, impacting bond yields and currency values.



## US MARKETS

Continue to move higher as interest rates hold firm

The S&P 500 surged by 4.8%, and bond prices also rose. Notably, the IT and Utilities sectors led the way, with IT up 9.95%. However, Energy and Consumer Discretionary sectors underperformed, with Energy declining by 0.97%. The Federal Reserve held interest rates steady at 5.25-5.50% when they met at the end of April/early May, citing persistent inflationary pressures and mixed economic data. Despite a weak jobs report and a downward revision to Q1 GDP growth of 1.3%, corporate earnings generally exceeded expectations, providing support to the stock market.

4.8%

US 500



## UK MARKETS

Mid and small caps help to deliver steady gains overall

The FTSE 100 made steady gains, achieving a 1.6% gain (2.1% total return), with mid and small caps leading the charge. Meanwhile, the FTSE 250 delivered a 4.2% return, and Small Cap ex-IT outperformed, rising by 6.7%. Across the market, the FTSE 350 Construction & Materials Index (6.5%) and the FTSE 350 Aerospace & Defence Index (6.5%) delivered the strongest returns, while the FTSE 350 Beverages Index (-4.1%) and the FTSE 350 Oil & Gas Producers Index (-2.9%) underperformed.

2.0%

UK All Share



## EUROPEAN MARKETS

Financials and telecommunications lead the way

European stocks experienced mixed performance despite the Stoxx 600 ex-UK index increasing by 2.8% in euro terms, and hitting an all-time high mid-month. There were notable gains in the Financial Services and Telecommunications sectors, which rose by 6.9% and 5.6% respectively. However, the Travel and Leisure and Automobiles sectors underperformed, declining by 4.0% and 2.8% in euro terms. Year to date, the strongest returns have come from the Banking sector (+20.1%) while the Utilities and Food & Beverages sectors have struggled, with declines of 2.8% and 2.2% respectively. Long-duration Bund prices fell by 1.0%.

2.8%

Euro 600 Index ex UK



## JAPAN MARKETS

Mixed performance for the month

The Japanese stock market produced a small positive return. The Nikkei 225 rose slightly, 0.2% in local currency terms, losing a little ground in sterling terms. The more broad based Japanese TOPIX outperformed the Nikkei 225 over the month. Long-duration Japanese government bond prices fell by 3.5%, despite inflation ticking down to 2.5% at the headline level and 2.2% Core. Growth stocks outperformed value stocks, and large-cap stocks continued to outperform small-cap stocks. Sector-wise, the Japanese Utilities sector showed ongoing strength, while the Consumer Discretionary sector underperformed.

1.1%

Japan Index



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# THE WORLD AT A GLANCE

	2019	2020	2021	2022	2023
UK CASH	0.7%	0.2%	0.0%	1.4%	4.7%
US DOLLAR INDEX	0.2%	-6.7%	6.4%	8.2%	-2.1%
UK GILTS	6.9%	8.3%	-5.2%	-23.8%	3.7%
US TREASURIES	6.9%	8.0%	-2.3%	-12.5%	4.1%
GLOBAL CORPORATE BONDS	7.3%	7.1%	-1.9%	-6.8%	4.0%
GLOBAL HIGH YIELD BONDS	8.3%	3.8%	2.0%	-2.3%	8.2%
US 500	28.9%	16.3%	26.9%	-19.4%	24.2%
UK ALL SHARE INDEX	14.2%	-12.5%	14.5%	-3.2%	3.8%
EURO 600 INDEX EX UK	24.2%	1.0%	22.4%	-14.9%	14.8%
JAPAN INDEX	15.2%	4.8%	10.4%	-5.1%	25.1%
ASIA EX JAPAN	17.9%	22.4%	-3.1%	-15.4%	6.4%
EMERGING MARKETS	15.4%	15.8%	-4.6%	-22.4%	7.0%
COMMODITIES	13.1%	-26.1%	41.6%	41.9%	-9.7%
GOLD	18.0%	20.9%	-4.3%	-0.7%	12.8%
HEDGE FUNDS	8.1%	5.8%	3.0%	-4.4%	2.7%

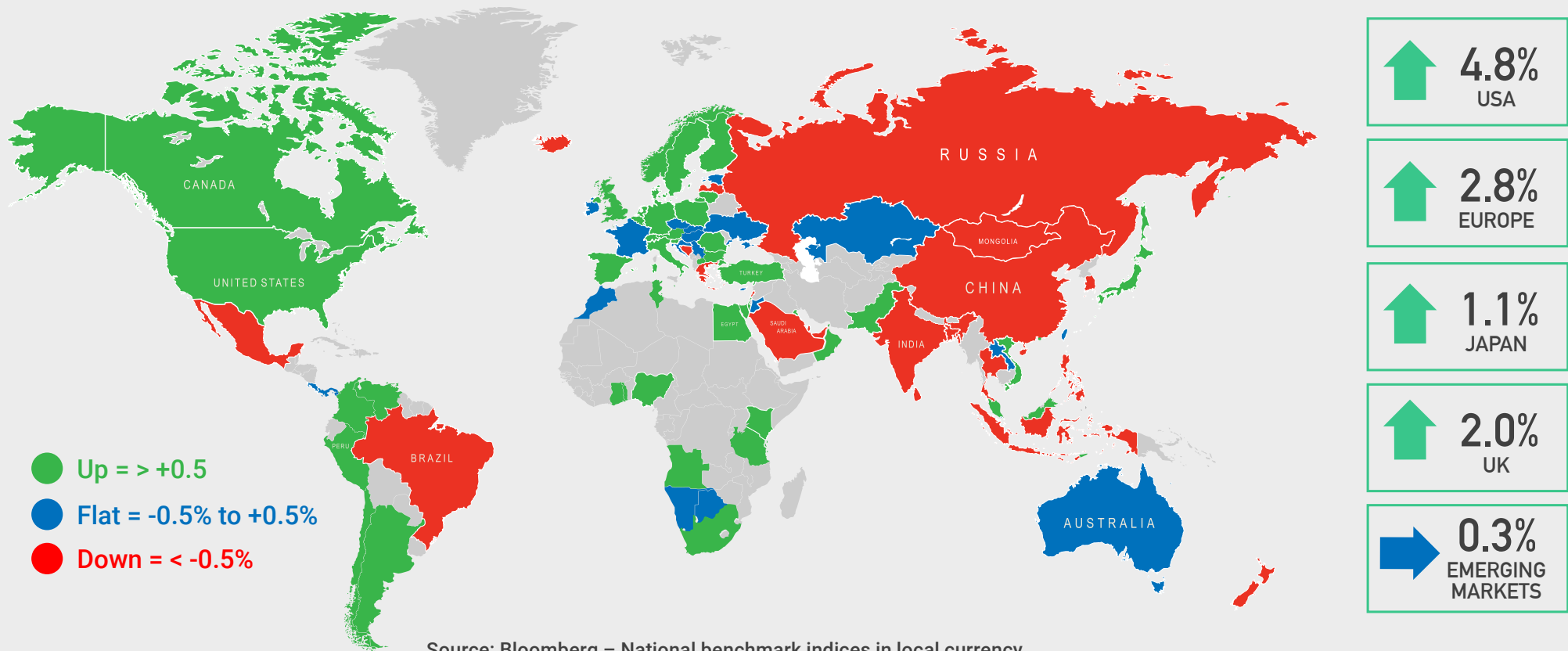
	May 2024	Year to Date
UK CASH	0.4%	2.2%
US DOLLAR INDEX	-1.5%	3.3%
UK GILTS	0.8%	-3.7%
US TREASURIES	1.5%	-1.9%
GLOBAL CORPORATE BONDS	0.0%	-1.3%
GLOBAL HIGH YIELD BONDS	-0.4%	2.7%
US 500	4.8%	10.6%
UK ALL SHARE INDEX	2.0%	6.7%
EURO 600 INDEX EX UK	2.8%	7.9%
JAPAN INDEX	1.1%	17.2%
ASIA EX JAPAN	1.4%	8.2%
EMERGING MARKETS	0.3%	2.5%
COMMODITIES	-3.5%	9.7%
GOLD	1.4%	12.5%
HEDGE FUNDS	0.0%	2.6%

Source: Bloomberg

Total Return – Local Currency

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# WORLD EQUITY MARKETS

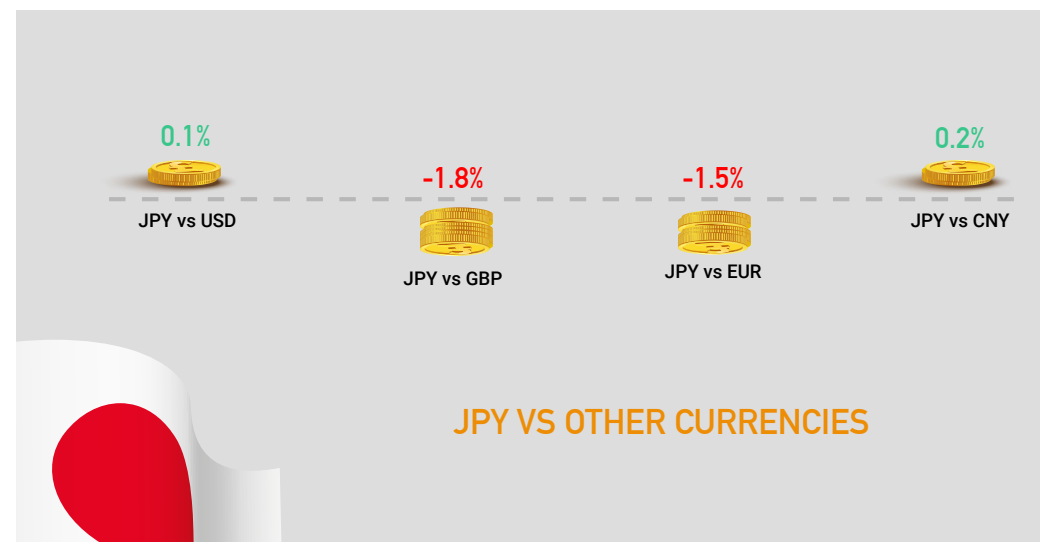
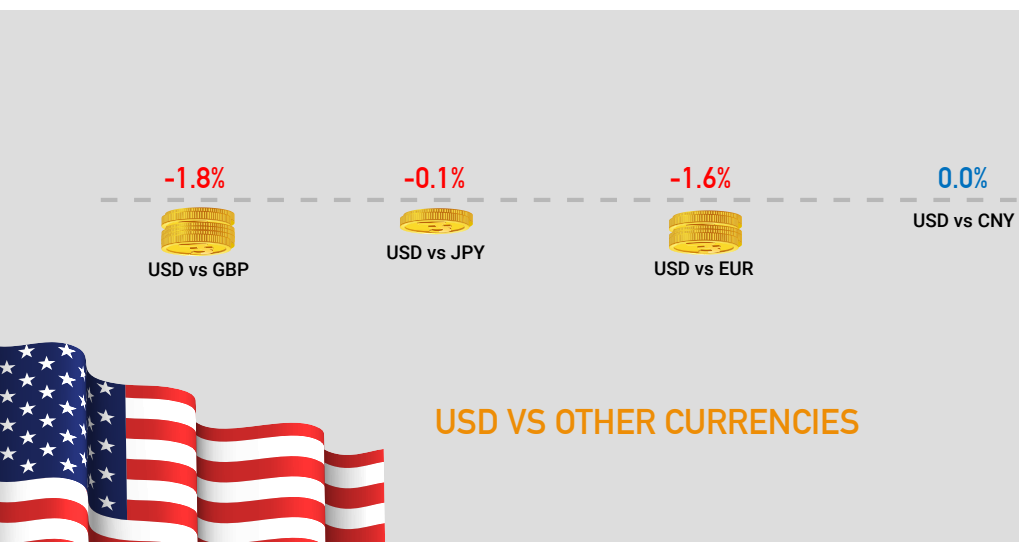
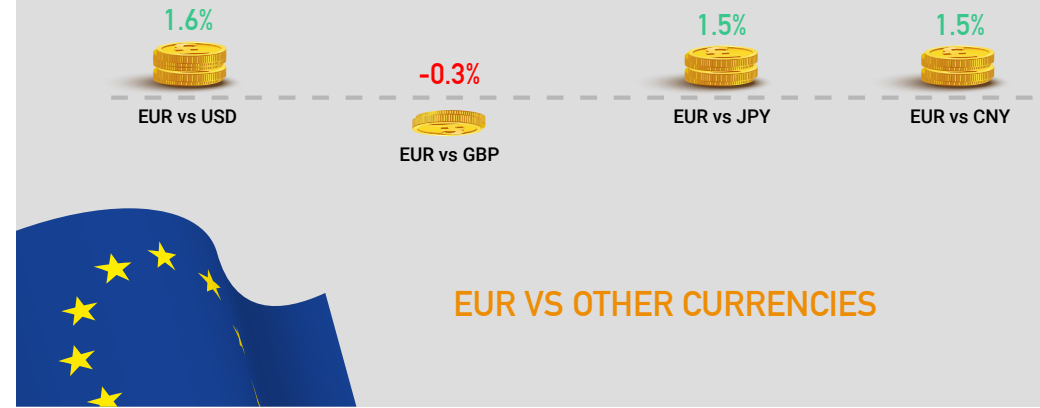
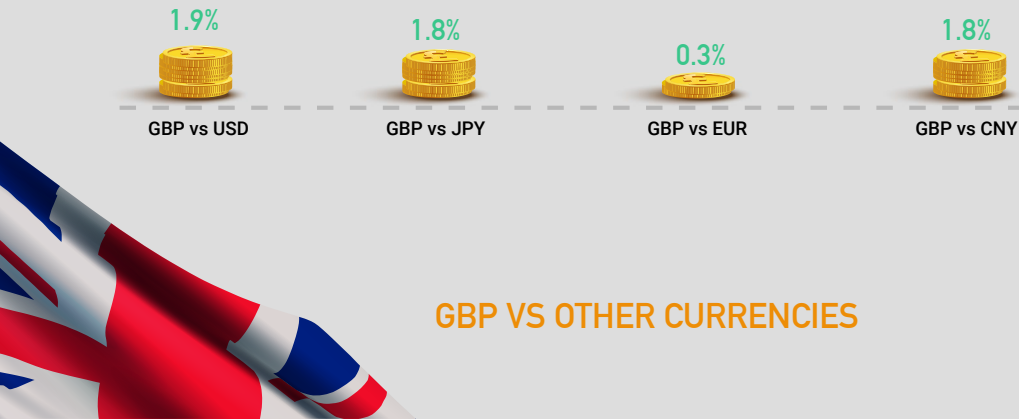


## Key Points

- Global developed market equities continue their upward trend, boosted by rate cut hopes in Europe and solid corporate earnings from the US.
- US market breadth remains very narrow, driven largely by AI stocks like Nvidia, which is now worth more than the entire FTSE 100, while its rivals struggle to catch up.
- China has rebounded from its lowest levels of the year, helped by restrictions on short selling introduced in January. However, disappointing factory activity data, with the PMI unexpectedly falling into contraction at 49.5, have limited these gains.
- Globally, growth stocks, as a style, outperformed value, while small-caps marginally outperformed large-caps, underscoring the more optimistic tone.

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# CURRENCIES



## Key Points

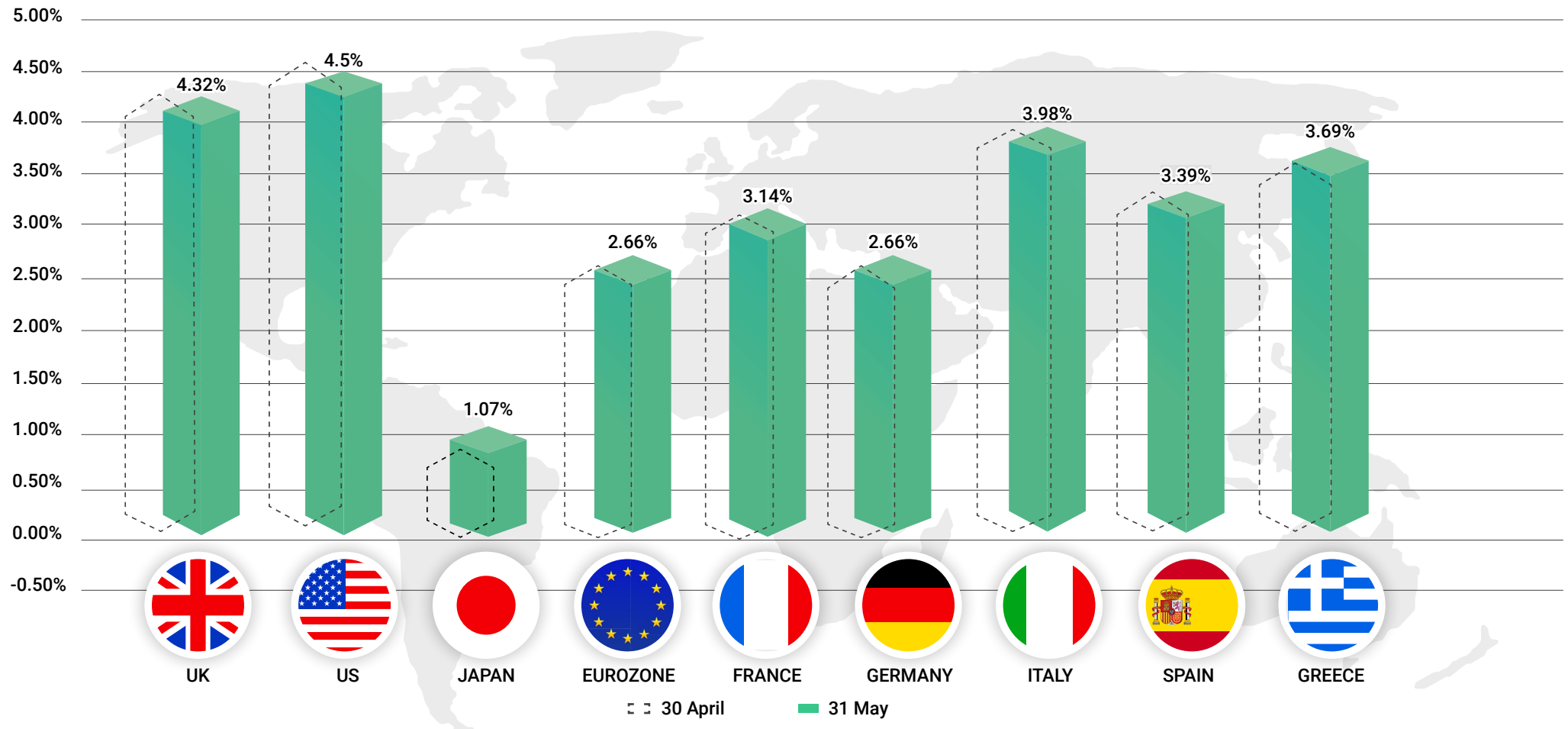
- The Bank of England's decision not to cut interest rates in early May supported a rally in the pound, with sterling gaining nearly 3cts against the dollar in the ensuing fortnight.
- Interest rate expectations continued to cause gyrations in currency markets. Higher-for-longer rates in the US, and expected cuts in Europe, should be supportive of the dollar, but the growth implications appear to be boosting the euro and pound.

- The Japanese authorities intervened in the foreign exchange market twice (end of April and early May), spending over Y9trn (\$60bn) to support the yen. Despite these efforts, gains subsequently reversed and the yen declined further.
- The lower yielding currencies, the Japanese yen and Swiss franc, continue to feel the pressure from higher-for-longer interest rates elsewhere. Lower European rates may ease that pressure.

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# GENERIC 10-YEAR YIELDS\*

\*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



## Key Points

- In local currency, developed sovereign bonds outperformed, while in the credit space, investment grade corporates were slightly ahead of high yield.
- Index-linked debt performed strongly, both in the UK and globally, outperforming conventional government bonds.
- In the developed world, despite rate cut hopes, longer-dated European debt was marginally the weakest, yields rose very modestly over the month, eating gently into the positive total returns.
- EM debt struggled, with rates in Mexico and Brazil moving higher in the run up to Mexico's presidential election, while South African bond yields were relatively flat through May despite their close election.
- Yield curves moved in different directions, reflecting local rate expectations. The European curve tended to steepen a little, and the US curve inverted marginally further, as 1yr and 2yr debt lagged longer dated bonds.

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# GLOSSARY OF TERMS

BoE	Bank of England – central bank of the United Kingdom
BoJ	Bank of Japan – central bank of Japan
Correlation	The degree to which the returns of financial assets or instruments move in relation to each other
CNY	Chinese renminbi (yuan) – currency of the People’s Republic of China
CPI	Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
Dovish	The approach in which central banks are likely to keep monetary policy “loose” or accommodative
ECB	European Central Bank – the central bank of the European Union countries which have adopted the euro
EUR	Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency
The ‘Fed’	or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks
GBP	British Pound – sometimes referred to as ‘sterling’
GDP	Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries

Growth Stocks	Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends
Hawkish	The approach in which central banks are likely to keep monetary policy “tight” or restrictive
JPY	Japanese Yen – currency of Japan
Macro	or Macroeconomics – a branch of economics that deals with the performance, structure, behavior, and decision-making of an economy as a whole
PMI	Purchasing Managers’ Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
USD	US Dollar – currency of the United States of America
Value Stocks	Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to Growth stocks.
Yield Curve	a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity
YoY	Year over year



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Sources: Collidr, Bloomberg. Indices: Barclays, FTSE, Bloomberg, STOXX, Japan Exchange Group, MSCI, S&P, New York Mercantile Exchange, Chicago Mercantile Exchange, Bureau of Labour Statistics, US and Office for National Statistics, UK notice.