



**Quarterly Investment  
Update**  
April - June 2024

# QUARTERLY MARKET COMMENTARY

2nd Quarter 2024

## SNAPSHOT

- Global equities rallied overall, with emerging markets outperforming their developed market equivalents.
- Global bonds were mixed, while gilts declined on inflation concerns.
- Sterling gained ground against most currency pairs.

All percentages below are quarterly returns unless indicated otherwise

## EQUITIES



## BOND MARKETS

### BONDS

High yield issues led the way

	UK GILTS	-0.9%
	US TREASURIES	0.1%
	GLOBAL CORPORATE BONDS	-0.3%
	GLOBAL HIGH YIELD BONDS	0.9%



\*Values represent bond index returns

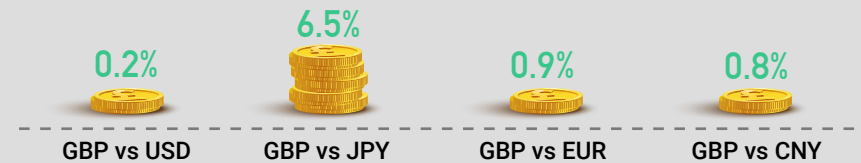
## CURRENCIES

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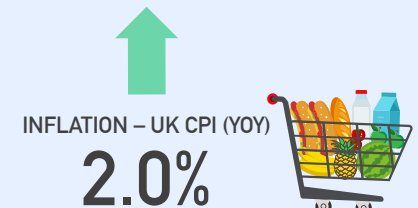
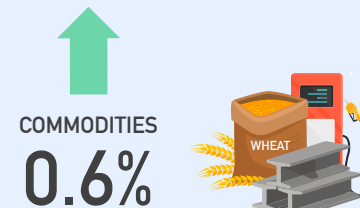
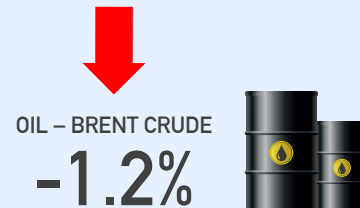
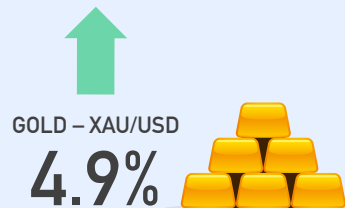
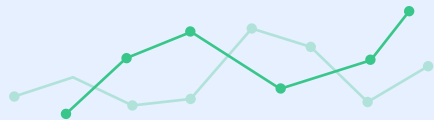
Sterling ahead against most major pairs



Pound vs Other Currencies



## KEY INDICATORS



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# GLOBAL MARKETS

The second quarter saw momentum for risk-asset performance continue on from the strong start to the year. This was evidenced through performance across most equities, emerging markets specifically, as well as high yield bonds.



## US MARKETS

US equity market ahead of developed peers

In aggregate terms, US equities rallied through the second quarter, led by technology stocks and, more specifically, those stocks dubbed 'The Magnificent Seven'. Mega cap names Nvidia (+37%), Apple (+24%), Tesla (+13%), and Alphabet (+17%), drove index performance. Equity performance was particularly narrow, with five sectors posting negative returns, while the remaining market displayed more modest performance. Economic growth has slowed in the US, albeit remaining strong relative to global peers, while consumer spending and labour market dynamics remain robust, aiding the performance of the greenback. Within this backdrop, treasury yields have been largely unchanged from a quarter ago.

3.9%

US 500



## UK MARKETS

UK stocks traded higher while gilts continued to struggle

UK stocks moved higher in aggregate terms, as the market was driven by the equity income space – energy, industrials, and financials. Despite base effects superficially aiding official year-on-year inflation figures, persistent price level increases scuppered the possibility of a June rate cut by the Bank of England. Inflation is proving to be more entrenched in the service-related areas of the economy, while goods inflation has become more manageable. Accordingly, UK 10-year yields drifted higher on this data, serving as a headwind to gilt performance. Rate cuts are looking less likely to be as dramatic as previously envisioned and will probably occur later in the year.

2.6%

UK All Share



## EUROPEAN MARKETS

European stocks declined despite rate cuts

European equity indices traded lower through the quarter as mid and small cap stocks lagged their larger-cap counterparts. Across countries, Denmark (+7.7%), Portugal (+7.4%), and Norway (+7.3%) were stronger performers, while France (-8.9%) was the chief laggard, owing to concerns over the upcoming snap national election and the strong polling results of the National Rally (a far-right party). Despite most equity sectors being negative, healthcare (+6.1%) and technology (+4.0%) posted resilient performance figures. European bond yields spiked unsurprisingly to reflect the heightened political uncertainty, most notably in France. The Euro declined against the dollar.

-1.2%

Euro 600 Index ex UK



## JAPAN MARKETS

Japanese stocks hit all-time highs while the yen declined

Japanese equities traded higher through the second quarter as the Nikkei 225 slightly underperformed the broader and more-domestically focused TOPIX index. Large caps continued to outperform mid and small caps, benefiting from exposure to external trade, as well as a weak currency due to ultra-low interest rates. The yen continued to slide against major pairs, especially versus a stronger dollar – breaching the 160 mark. The Bank of Japan has started to moderate its dovish approach, and 10-year yields raised meaningfully through the second quarter to reflect this. However, this has done little to stop the decline in the yen.

1.5%

Japan Index

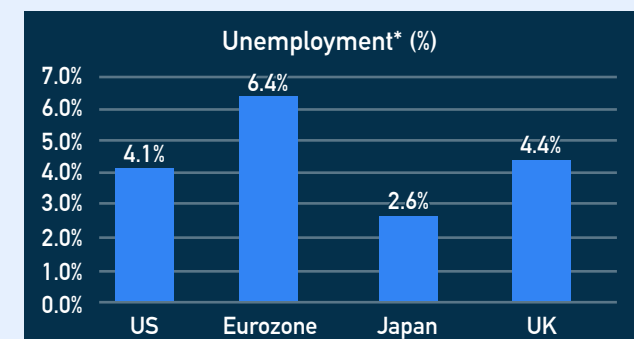
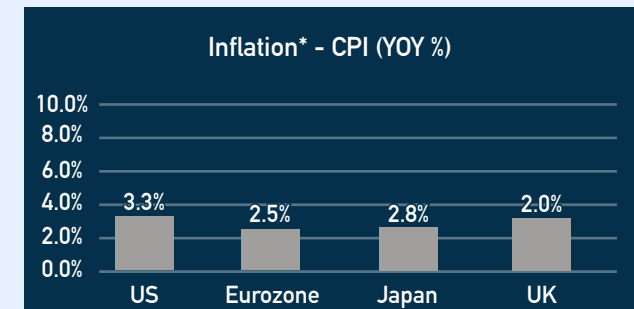
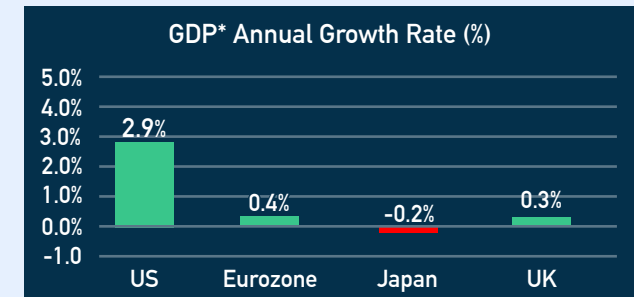


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# THE WORLD AT A GLANCE

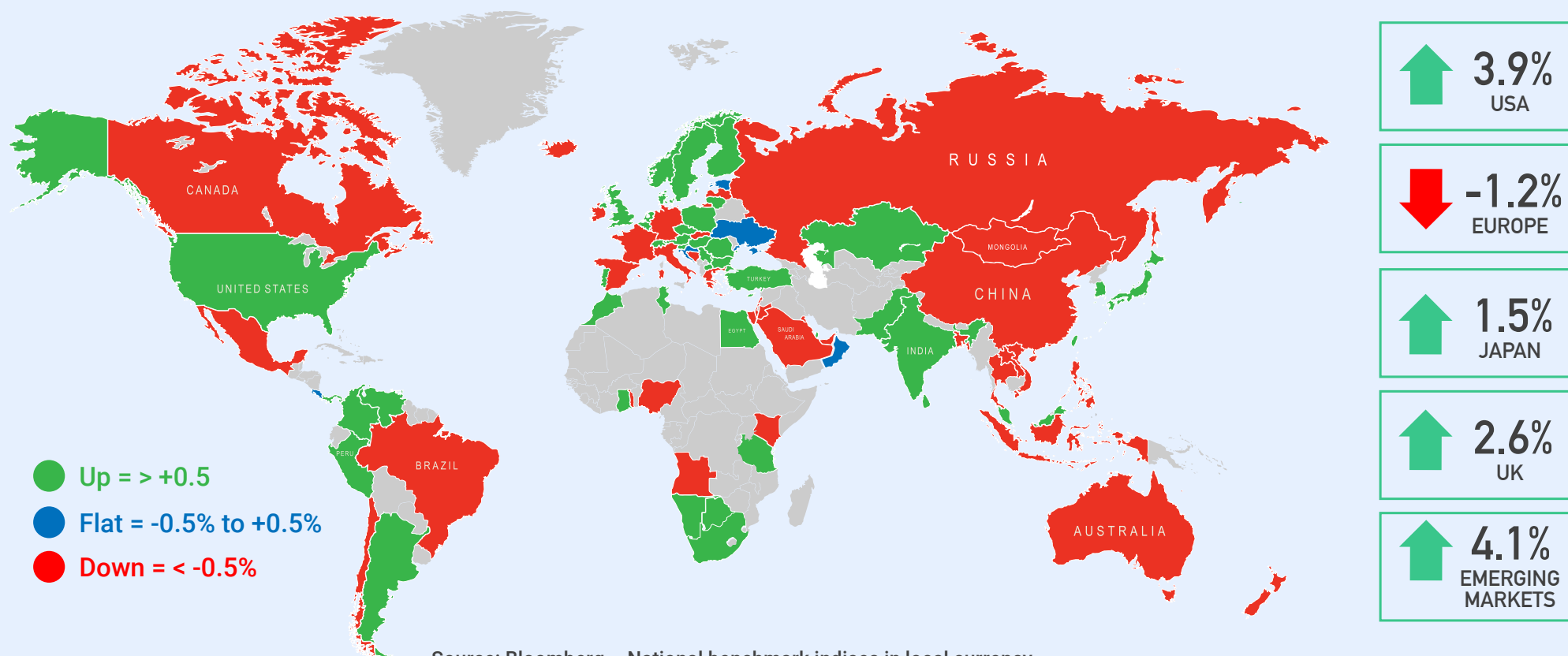
	2nd QTR 2024	Year to Date	2023	2022	2021	2020
UK Cash	1.3	2.6	4.7	1.4	0.1	0.2
US Dollar	1.3	4.5	-2.1	8.2	6.4	-6.7
UK Gilts	-0.9	-2.5	3.7	-23.8	-5.2	8.3
US Treasuries	0.1	-0.9	4.1	-12.5	-2.3	8.0
Global Corporate Bonds	-0.3	-0.3	4.0	-6.8	-1.9	7.1
Global High Yield Bonds	0.9	3.9	8.2	-2.3	2.0	3.8
US 500	3.9	14.5	24.2	-19.4	26.9	16.3
UK ALL SHARES INDEX	2.6	5.2	3.9	-3.2	14.6	-12.5
EURO 600 INDEX EX UK	-1.2	6.5	14.8	-14.9	22.4	1.0
JAPAN INDEX	1.5	18.7	25.1	-5.1	10.4	4.8
Asia Ex Japan	7.9	12.7	6.4	-15.4	-3.1	22.4
Emerging Markets	4.1	6.1	7.0	-22.4	-4.6	15.8
Commodities	0.6	12.0	-9.7	41.9	41.7	-26.1
Gold	4.9	12.7	12.8	-0.7	-4.3	21.0
Hedge Funds	0.4	3.0	2.7	-4.4	3.0	5.9



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# WORLD EQUITY MARKETS

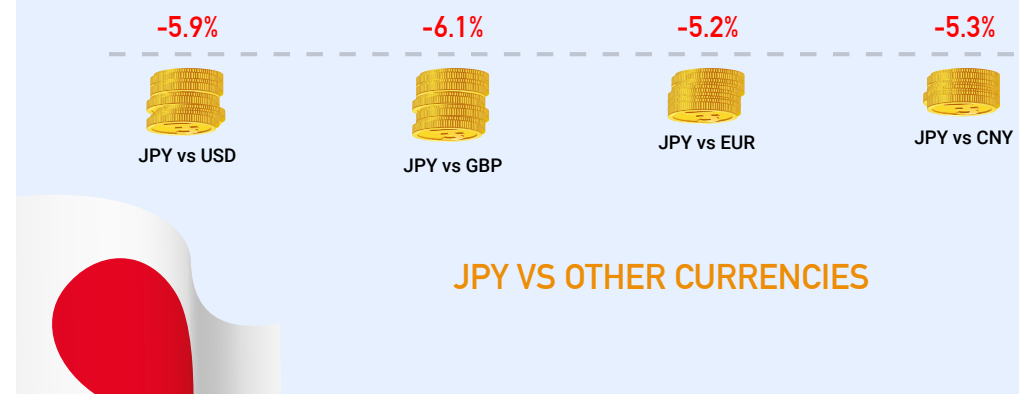
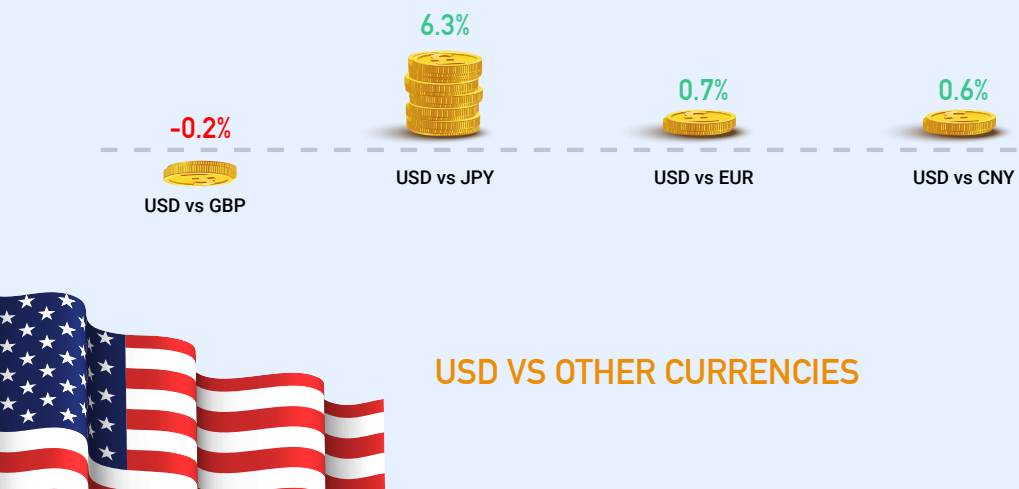
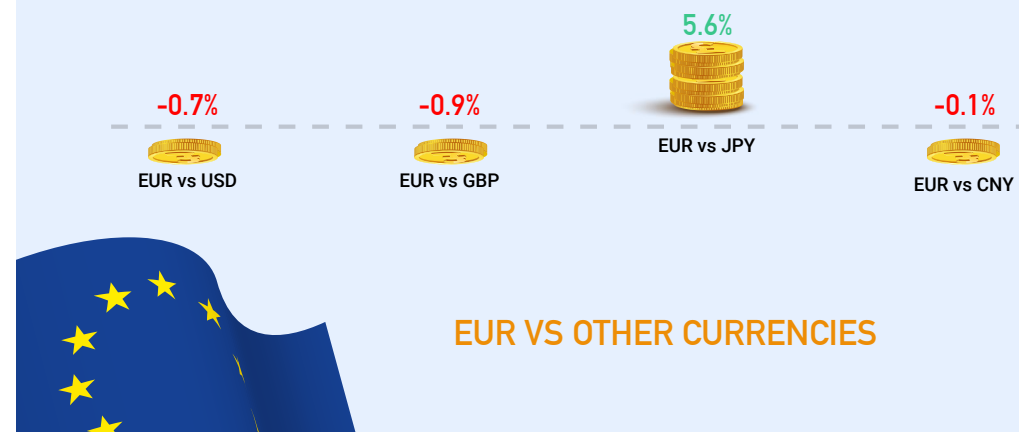
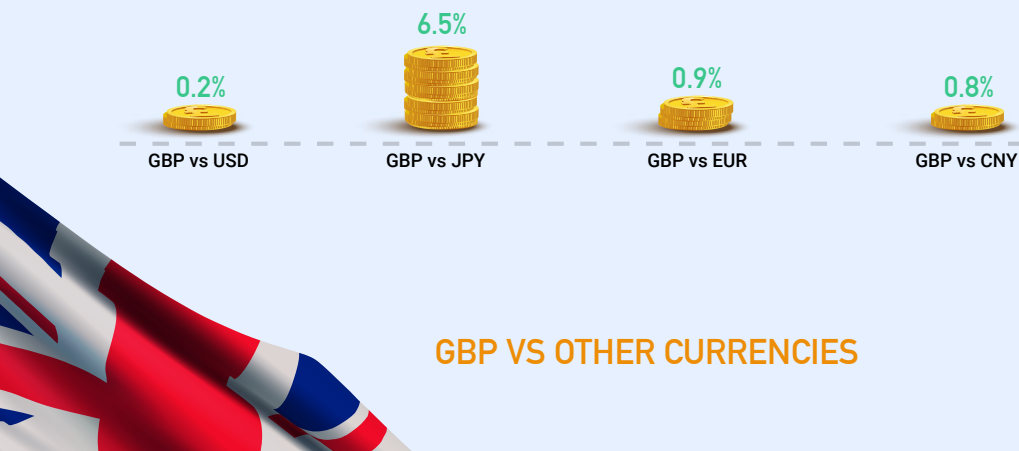


## Key Points

- Global equities enjoyed another strong quarter of returns, with emerging market stocks outperforming their developed market equivalents (+4.1% vs +2.6% in USD terms).
- From a factor standpoint, 'momentum' and 'quality' were the best performing global equity factors. While both the 'size' and 'value' factors detracted.
- Across regions, in local currency terms, Taiwan (+13.5%), India (+7.3%), and emerging European countries were strong performers. While the poorest performers were France (-8.9%), Mexico (-8.6%), and Saudi Arabia (-6.7%).
- In terms of market dynamics, large cap stocks outperformed mid and small caps, while 'growth', as typically defined, outperformed 'value'.
- From a sector perspective, the best performing areas were information technology (+11.4%) and communication services (+7.7%), while the poorest were materials (-3.4%) and industrials (-2.2%).

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# CURRENCIES



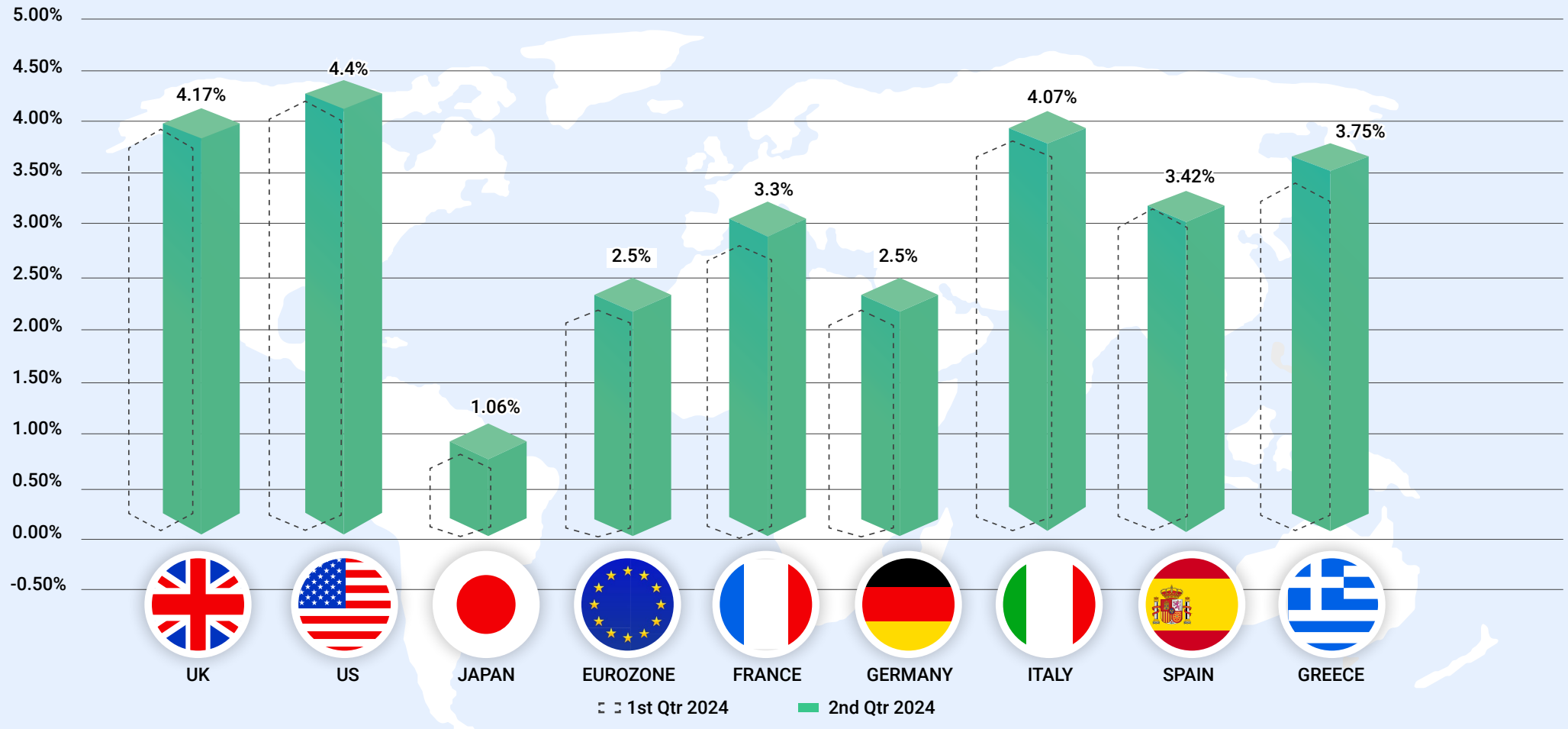
## Key Points

- For the second quarter, sterling was the best performing major currency, gaining ground against the US dollar, euro, and Chinese yuan. The dollar/sterling cross ended the period at \$1.28, which is up from \$1.21 in October of last year.
- The US dollar strengthened against most currency pairs, excluding GBP, owing to its resilient economic and equity markets performance. The performance of the euro during the quarter was more mixed.
- From a currency perspective, the Japanese yen was the chief laggard, losing ground to most pairs, most notably versus sterling and the dollar. Since July 2023, the currency has declined 14.3% against USD and now sits below the 160 mark.
- Emerging market currencies largely depreciated through the quarter, serving as a headwind to risk asset performance more broadly – with USD versus the Chinese yuan (+0.6%), Mexico (+10%), Brazilian real (+10%).

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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 aggregate terms, global bonds had a tougher quarter, declining through April and June, as yields backed up on hotter inflation prints (Bloomberg Global Aggregate TR Index USD, -1.1%).
- Longer duration fixed income relatively underperformed the broader fixed income market, especially within regions where progress toward inflation slowed, such as the UK (FTSE Actuaries UK Conventional Gilts All Stocks Index, -1.57%).
- For 10-year yields across major regions, France saw the largest increase, moving 49 basis points higher, following uncertainty driven by the snap elections, and the strong right-wing political sentiment captured in the country's latest polls.
- For corporate bonds, global high yield indices outperformed their investment grade counterparts through the quarter, as risk-on market sentiment served as a tailwind, and corporate spreads tightened.

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# GLOSSARY OF TERMS

<b>BoE</b>	Bank of England – central bank of the United Kingdom
<b>BoJ</b>	Bank of Japan – central bank of Japan
<b>Correlation</b>	The degree to which the returns of financial assets or instruments move in relation to each other
<b>CNY</b>	Chinese renminbi (yuan) – currency of the People’s Republic of China
<b>CPI</b>	Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
<b>Dovish</b>	The approach in which central banks are likely to keep monetary policy “loose” or accommodative
<b>ECB</b>	European Central Bank – the central bank of the European Union countries which have adopted the euro
<b>EUR</b>	Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency.
<b>The ‘Fed’</b>	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.
<b>GBP</b>	British Pound – sometimes referred to as ‘sterling’

<b>GDP</b>	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
<b>Growth Stocks</b>	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.
<b>Hawkish</b>	The approach in which central banks are likely to keep monetary policy “tight” or restrictive
<b>JPY</b>	Japanese Yen – currency of Japan
<b>Macro</b>	or Macroeconomics – a branch of economics that deals with the performance, structure, behavior, and decision-making of an economy as a whole
<b>PMI</b>	Purchasing Managers’ Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
<b>USD</b>	US Dollar – currency of the United States of America
<b>Value Stocks</b>	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.
<b>Yield Curve</b>	a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity
<b>YoY</b>	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).