



**Market Commentary**  
August 2024

# MARKET COMMENTARY

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## SNAPSHOT

- After a volatile month, equities remained positive, with leadership shifting to small caps, value stocks.
- Global bonds gained as yields declined.
- The dollar declined against major currencies while the Japanese yen surged.

All percentages below are monthly returns for July 2024

## EQUITIES



## BOND MARKETS

### BONDS

Softening inflation drove yields lower

	UK GILTS	1.8%
	US TREASURIES	2.2%
	GLOBAL CORPORATE BONDS	0.9%
	GLOBAL HIGH YIELD BONDS	0.4%



\*Values represent bond index returns

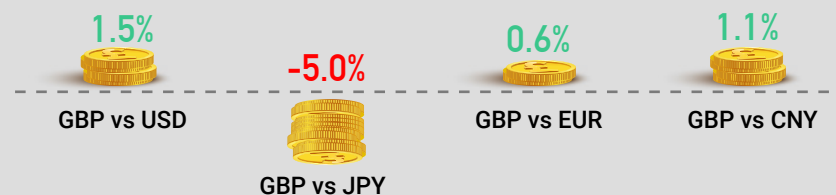
## CURRENCIES

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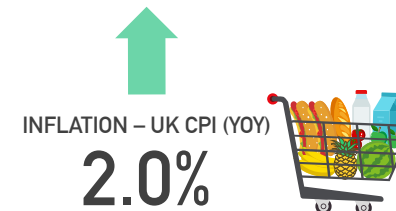
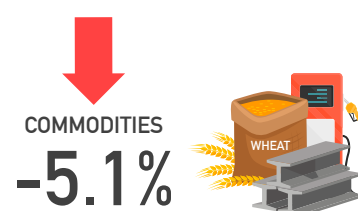
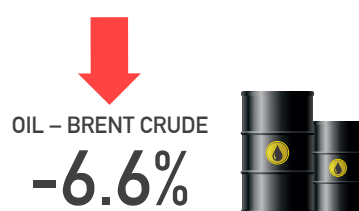
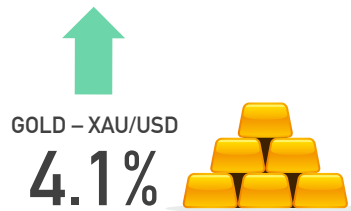
Stirling strengthened but weakened against the yen



Pound vs Other Currencies



## KEY INDICATORS



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# GLOBAL MARKETS

Market volatility increased on signs of economic weakness, despite the benefits of moderating inflation and lower interest rates.



## US MARKETS

Disappointing tech giants tempered overall returns

Despite strong corporate earnings, with about two-thirds of S&P 500 companies beating analysts' expectations, four of the 'Magnificent Seven' tech giants disappointed, causing a tech sell-off before a month-end rebound. U.S. inflation softened faster than expected. The Consumer Price Index (CPI) fell to 3% in June, while Core CPI, excluding food and energy, rose by 3.3%, which was slightly below expectations, spurring speculation about potential interest rate cuts. This reflects a dovish outlook amid signs of a slowing economy and softening labour market, and prompted a shift from mega-cap companies to more interest rate-sensitive areas like small caps.

1.1%

US 500



## UK MARKETS

Positive economic momentum propelled marketing returns

UK equities outpaced global counterparts, with the FTSE All-Share index rising 3.1%. This growth is attributed to robust PMIs in the service sector for July, in addition to economic growth in the second quarter that surpassed expectations, both indicating a positive shift in economic momentum. Certain sectors within the FTSE All-Share, such as energy and consumer goods, have shown strong performance, contributing to the rise in the overall index. The general UK election did not cause any significant market fluctuations, as a Labour win was widely anticipated.

3.1%

UK All Share



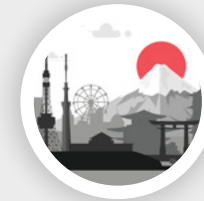
## EUROPEAN MARKETS

Mixed performance and data led to modest gains

European stocks posted modest gains for the month, with a disappointing PMI report (indicating a slight slowdown in eurozone economic growth over the summer) and uncertainties around the French elections weighing on performance. However, Eurostat's GDP estimates showed a 0.3% increase in Q2 2024 for both the euro area and the EU. However, Germany's contracted by 0.1%, a further sign of economic challenges for the bloc's largest economy. Annual inflation in the Euro Area unexpectedly rose to 2.6% from 2.5%, defying forecasts which had anticipated 2.4%. European bonds had a strong month, with peripheral bonds outperforming core bonds.

0.6%

Euro 600 Index ex UK



## JAPAN MARKETS

Underperformed other developed markets

The Japanese TOPIX index underperformed, with the decline partly due to weakness in global technology shares, exacerbated further by a strengthening yen. Anticipation of an earlier Federal Reserve rate cut, and the Bank of Japan's decision to raise its interest rates, contributed to the yen's appreciation against the US dollar. As part of its monetary policy normalisation, the Bank of Japan raised its policy rates from a 0%-0.1% range to 0.25%. Additionally, it announced a reduction in Japanese Government Bond (JGB) purchases by 400 billion yen per quarter, which will start in August.

-0.5%

Japan Index

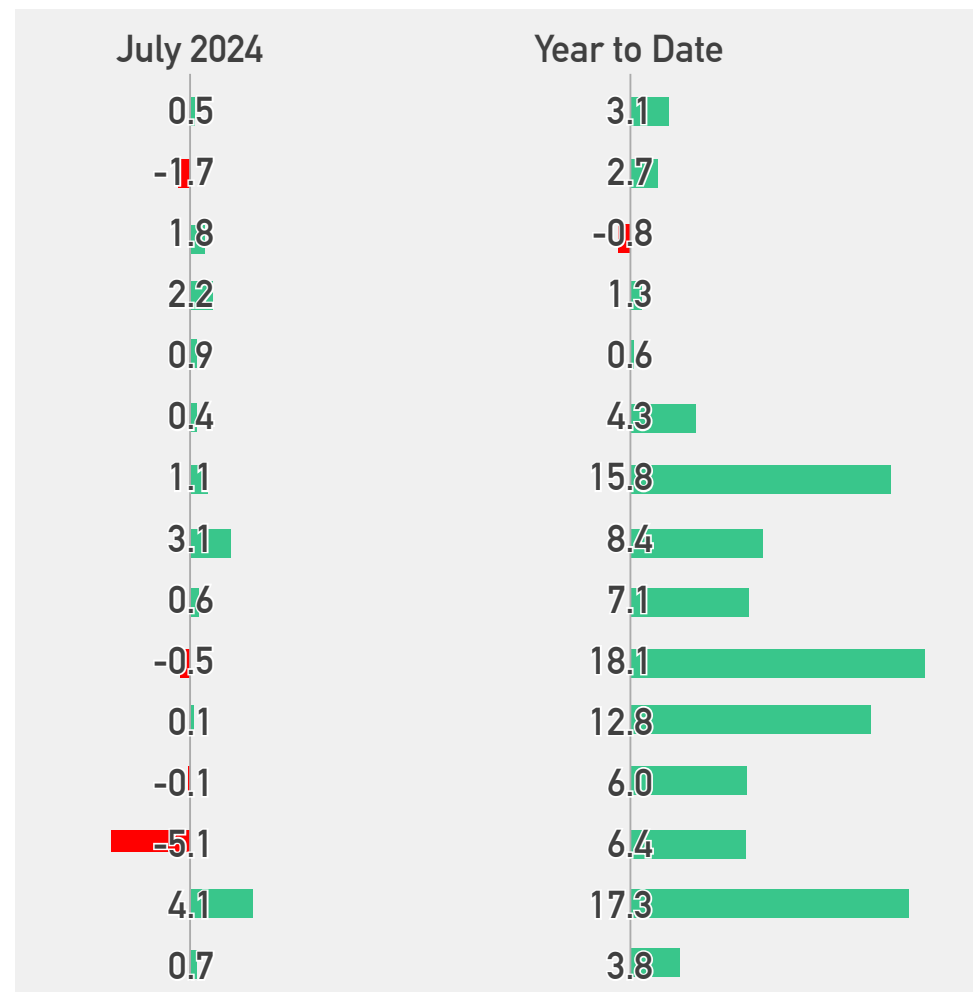


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# THE WORLD AT A GLANCE

	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%



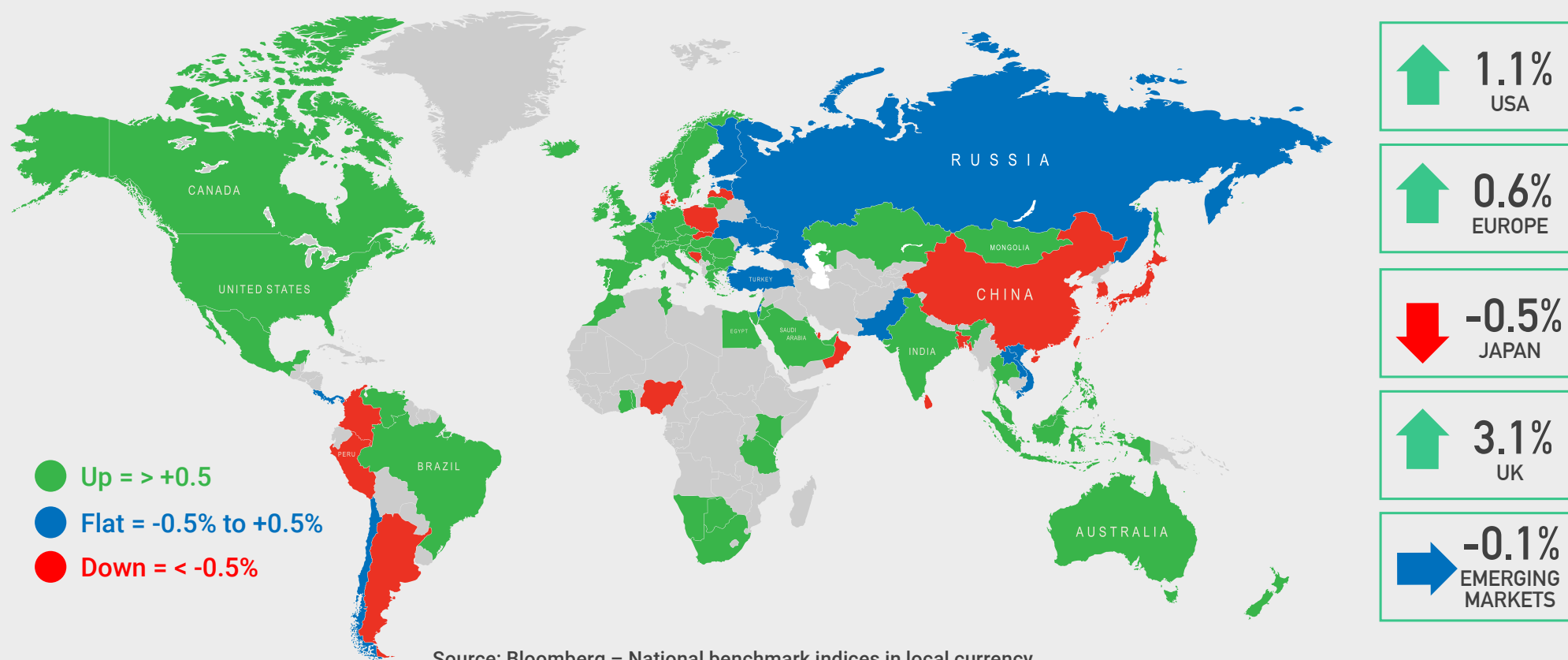
Source: Bloomberg

Total Return – Local Currency

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# WORLD EQUITY MARKETS

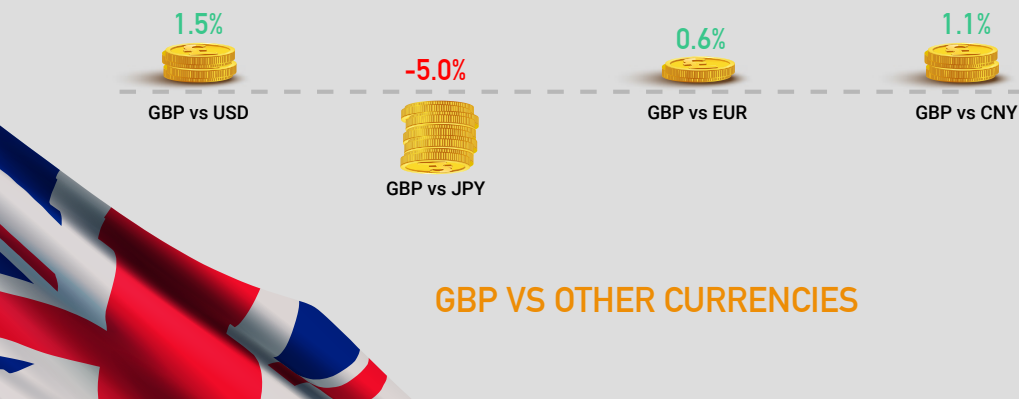


## Key Points

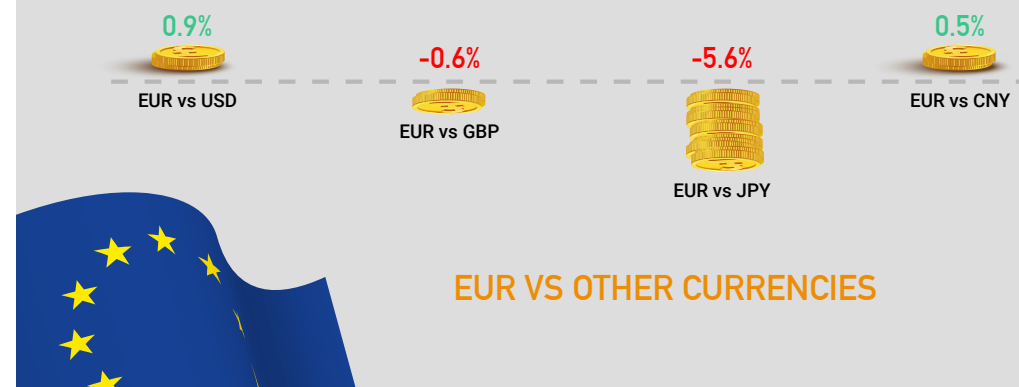
- Global equities delivered a modest return over the month, with developed markets outperforming emerging markets, and small-cap stocks outperforming large-cap stocks in aggregate.
- US equities recorded gains, with large-cap growth equities underperforming their value-based counterparts, and small-cap stocks outpacing large caps. Some cooling inflationary pressures increased the likelihood of a September Fed rate cut.
- UK equities had a strong month, outperforming their developed market peers, with robust service sector PMIs helping to drive returns.
- Chinese equities continued to face difficulties due to persistent challenges in the real estate sector, which has broad negative implications on the economy overall.

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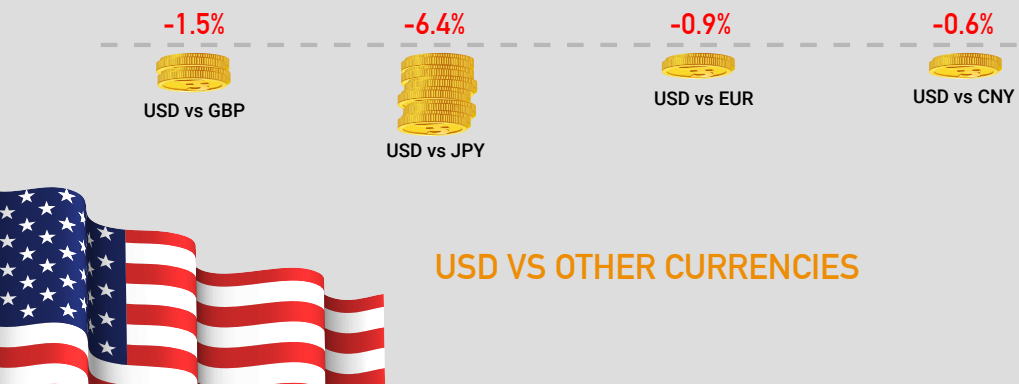
# CURRENCIES



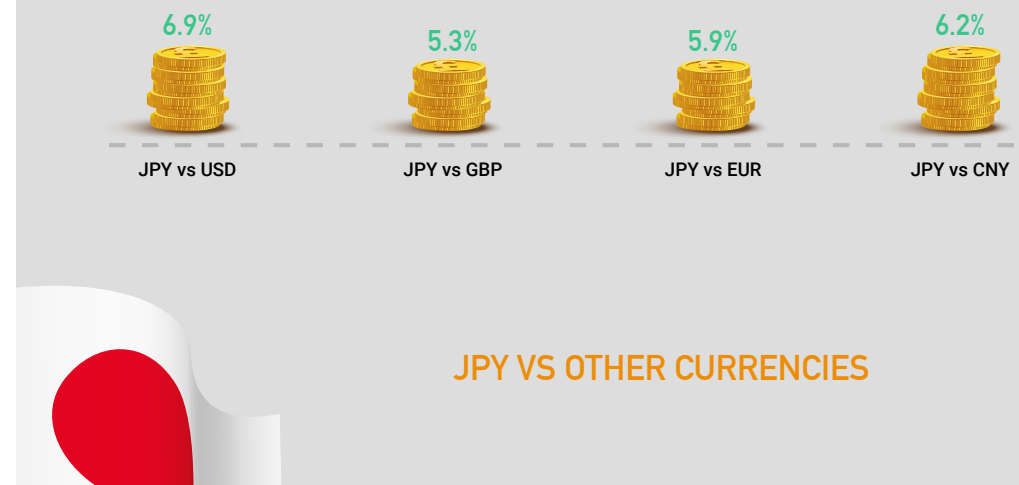
## GBP VS OTHER CURRENCIES



## EUR VS OTHER CURRENCIES



## USD VS OTHER CURRENCIES



## JPY VS OTHER CURRENCIES

### Key Points

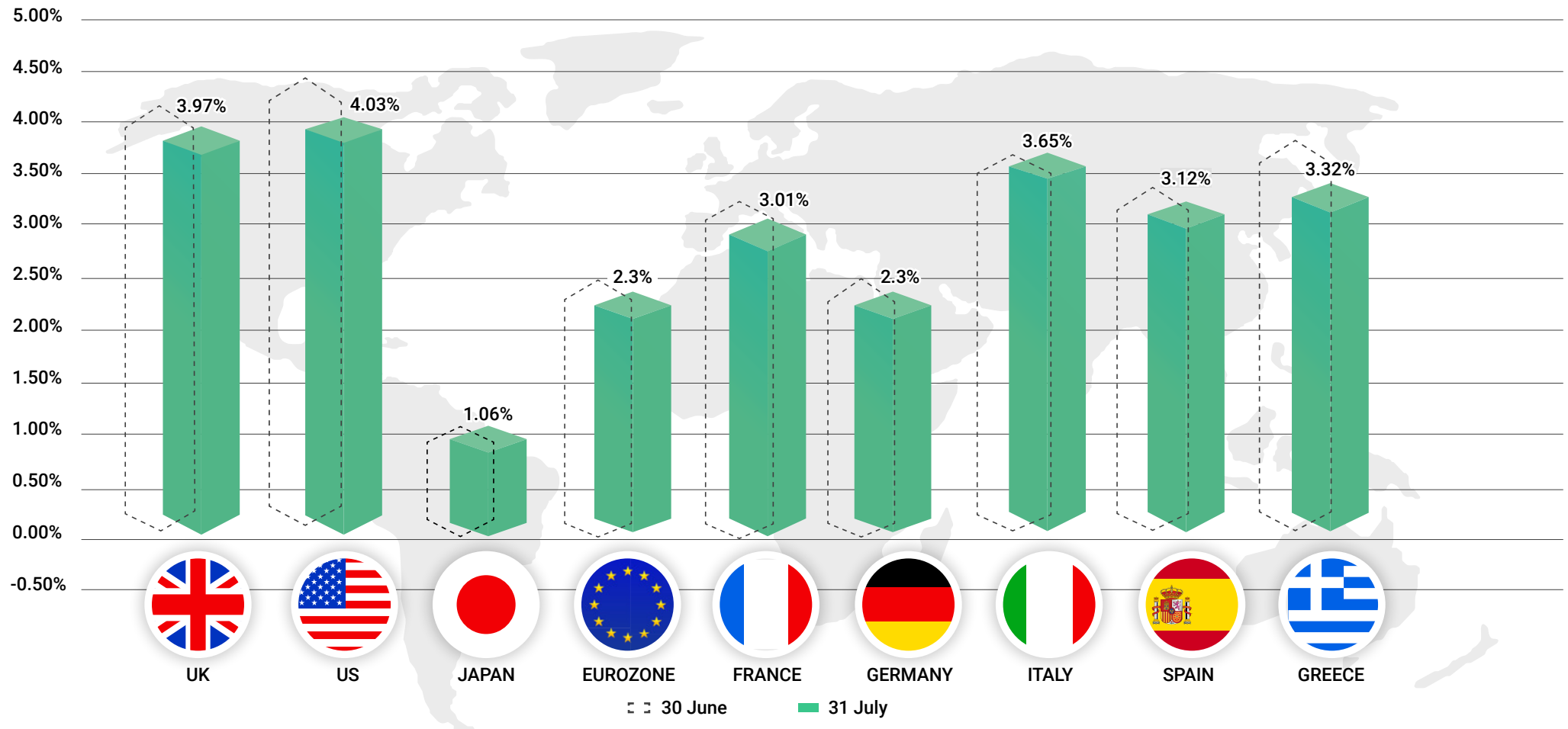
- The US dollar had a volatile month versus major currencies, but ended the month marginally weaker against sterling and the euro. However, the US dollar weakened significantly against the yen, as speculation of rates hikes drove the yen higher.
- The Japanese yen strengthened significantly against the major currencies throughout July, driven by speculation of potential rate hikes and currency intervention by the Bank of Japan.

- Sterling strengthened against the US dollar, as lower US inflation data increased speculation of a US rate cut.
- The euro marginally strengthened against the U.S. dollar but weakened slightly against sterling. However, early gains were tempered, as ECB policymakers indicated there was no rush to cut rates further.

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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

- Global bond markets had a strong month, with government bonds performing particularly well. The bond markets were buoyed by heightened expectations of rate cuts taking place.
- US Treasuries gained over the month, driven by speculation of a Federal Reserve rate cut.
- With the bond market anticipating further interest rate cuts by the European Central Bank, eurozone government bonds continued to perform well.
- UK gilts underperforming global bond markets, with stronger-than-expected GDP growth, and persistent services inflation, tempering rate cut expectations.
- Corporate and high-yield bonds underperformed government bonds but still delivered positive returns over the month.

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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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