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PRIVATE CAPITAL

# Monthly Market Update



## August 2021

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### July 2021 Market Commentary

“The uncertainty of the spread of the Delta variant causes concern and volatility, but the outlook for global recovery remains positive”

Despite the uncertainty caused by the Delta variant of Covid-19, the global economic recovery continued in July. Vaccine rollouts are making steady progress and restrictions on activity are being eased further in several major developed countries. However, the Delta variant does raise concern that the global recovery may continue to be bumpy and cause market volatility.

#### **United Kingdom**

FTSE All Share: 0.53%

The last Covid-19 restrictions were lifted in July, although this was accompanied by cautious rhetoric from the government as cases rose sharply. However, to date, the data suggests that the vaccines remain effective against new variants and that the link between catching Covid-19, hospitalisations and deaths has been broken. With this in mind, the UK will be viewed as a test case by the rest of the world and if current trends persist, this would be a major boost to global market sentiment, especially to those regions whose vaccination programme has been as successful as the UK.



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The economic data was slightly more mixed in July. The outlook for growth remains strong, but businesses are struggling to fill job

vacancies and are experiencing supply shortages, which means their costs rose at the fastest pace on record. Inflation is also a topic of concern for the Bank of England's as inflation rose to 2.5% in June. However, it did not make any change to the interest rate.

### United States

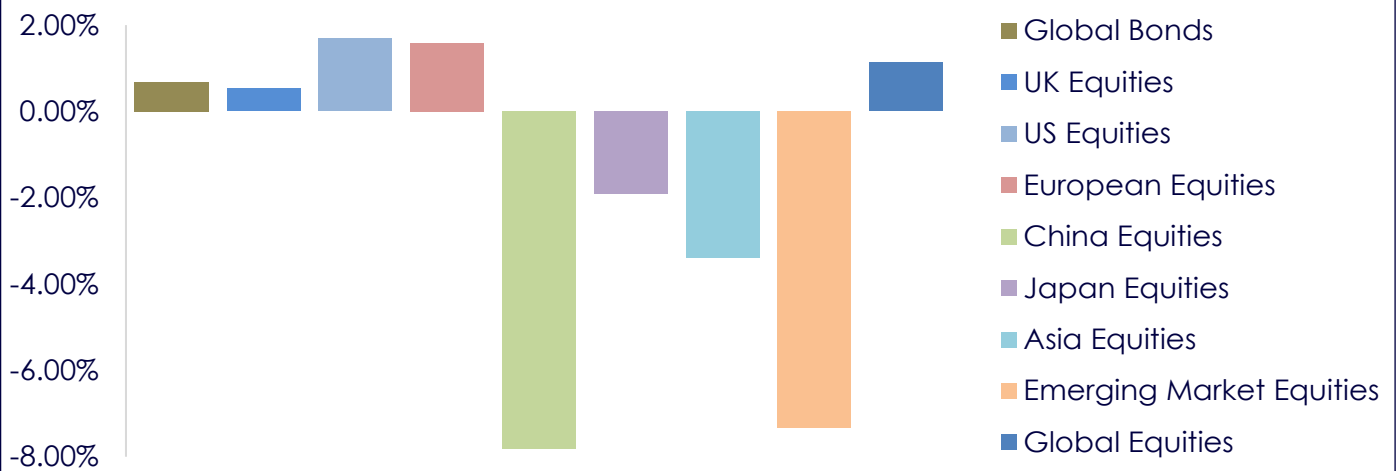
S&P 500: 1.69%

The Delta variant has spread quickly in the US

and has led to forecasters projecting that economic growth may be impacted and has reached its post pandemic peak.

The Federal Reserve became more hawkish and indicated that there is a limit to how long before it may make policy changes to keep the US economy from overheating. At the July meeting, it signalled that a tapering of its asset purchase programme is moving closer.

Discrete Monthly Performance as at 31/07/2021



Inflation increased for the fourth consecutive month, reaching 5.4% in June. Furthermore, 850,000 jobs were added in June, which represents the largest monthly gain since August 2020.

Q2 corporate earnings also offered reasons for optimism as 90% of the S&P 500 companies which had reported earnings by the end of July, had beaten analysts' expectations.

### Europe

FTSE Developed Europe ex UK: 1.58%

The European Central Bank (ECB) conducted a strategic review in July, stating that its inflation target was 2%, having previously been either "below, but close to 2%". In addition, it confirmed that interest rates will remain low for a very long time and that it remained committed to continuing its asset purchase programmes.

Furthermore, following the launch of the

European Union's Recovery Fund, 50% of member states have received approval of their recovery plans.

Data during the month highlighted that the recovery was gathering pace. Business activity grew at its fastest rate in 21 years, as the vaccine rollout continued at a pace with over 60% of the population in the four largest euro area countries now having received at least one dose.

### China

CSI 300: -7.83%

China's early strict measures to contain the virus meant that it was one of the first countries to reopen its economy and resume growth. Whilst the pandemic is still far from over in China, a number of data releases in July has led analysts to forecast a broad-based recovery. Industrial production, trade activity and retail sales have been strong. Furthermore, domestic travel, tourism and the leisure sectors

have benefited from the easing of restrictions.

However, investors are aware of the risk of tighter Governmental regulations proposed on Internet companies, with the introduction of antitrust guidelines designed to provide for more competition in the marketplace.

## Japan

MSCI Japan: -1.90%

The Japanese stock market ended down in July, as sentiment was dominated by significant concern domestically as the rate of infections climbed towards 10,000 per day. This has been compounded by the timing of the Olympic Games, with the government trying to convince the population that it is taking the necessary action to contain the rise in infections, while simultaneously hosting a global sporting event. Market analysts expect that the Japanese economic recovery will be further delayed and dependent on the success of the vaccine rollout, which has continued to accelerate since May.

## Emerging Markets

MSCI Emerging Markets: -7.33%

Emerging markets continue to lag behind developed markets, being led lower by the market correction in China. Markets were also impacted by concerns about the Philippines and Thailand which have less than 10% of their population vaccinated.

In contrast, Egyptian and Turkish markets both recorded positive returns. India recorded a modest gain as daily new cases of Covid-19 fell and the outlook for recovery improved.

## Global Bonds

Bloomberg Barclays Global Agg: 0.68%

Government bond yields declined in July (meaning prices rose), as concerns over the Covid-19 Delta variant and signs of global growth moderating caused investors to shift toward safer investments. Whilst the global economy continued to recover, with lockdown measures increasingly being lifted, there were signs that the rate of growth is slowing, particularly in China.

**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 31/07/2021

	1 Year %	3 Years %	5 Years %	Volatility % <sup>2</sup>
Global Bonds	-4.86	8.42	7.82	7.77
UK Equities	26.64	5.48	32.28	13.66
US Equities	28.21	53.07	106.47	12.95
European Equities	25.89	26.53	64.47	13.43
Japan Equities	18.24	14.42	43.82	11.66
Asia Equities	27.51	31.72	70.74	13.72
China Equities	6.38	45.09	63.80	16.49
Emerging Market Equities	13.89	18.63	56.43	13.70
Global Equities	27.51	41.60	86.20	12.31

Data source FE Analytics 31/07/2021. 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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