



THROGMORTON
PRIVATE CAPITAL

Monthly Market Update



August 2022

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July 2022 Market Commentary

“Equities posted gains in July, as slowing economic growth shifted investor focus to the potential for less central bank policy tightening”

Equities in developed markets posted gains in July as investors began to focus on the signs of a slowing global economy and the potential for interest rates cuts by central banks should current inflationary pressures ease. However, emerging market equities lagged the returns in developed markets, particularly in China where growth has already slowed. Bond yields fell, meaning prices rose, which was much needed for portfolios that have been impacted by both falling equity and bond prices over the course of 2022 to date.



Matthew Cove DipFA
Director
01304 371 753

United Kingdom

FTSE All Share: 4.36%

UK equities produced a positive return in July. However, UK equities still remain weighed down by the cost of living crisis, the outlook for the UK economy, the negative impact of rising interest rates and the expectation that interest rates will rise further. The energy sector in particular lagged other equities, as commodity prices fell on the expectation of slowing global growth.

Despite the uncertain outlook for the UK, the economy grew by 0.5% in May, after shrinking by 0.2% in April. The leadership contest for the Conservative Party and race to be the next UK Prime Minister has also

added to the uncertainty over the direction of the country and economy.

United States

S&P 500: 8.97%

Despite the anticipated US Federal Reserve (Fed) raising interest rates, US equities rebounded in July as they reacted well to the chair of the US Fed, Jerome Powell, commenting that the pace of policy

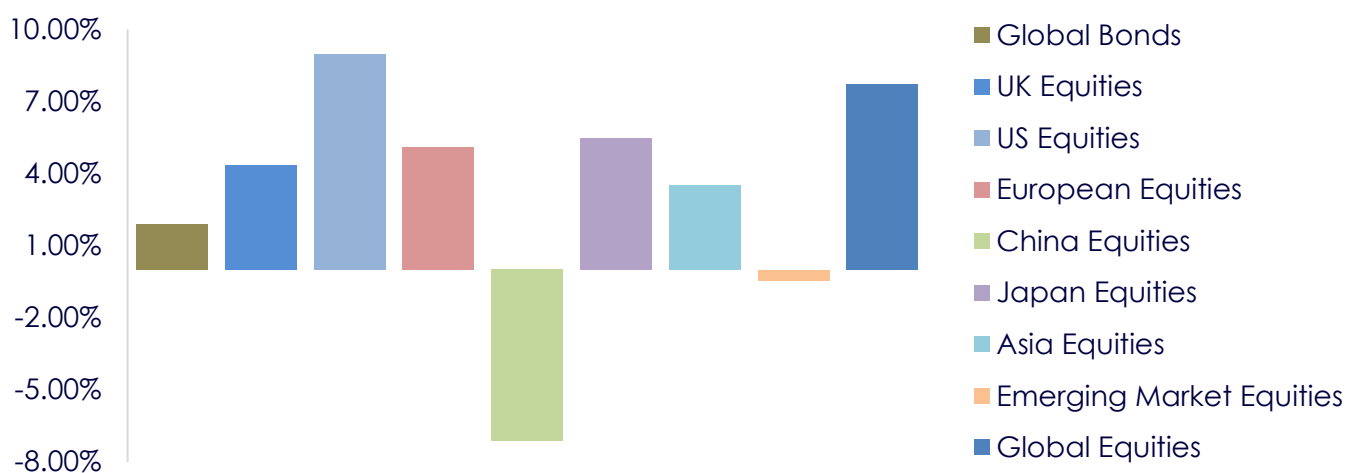
from Russia to Germany, was closed for maintenance and then reopened at reduced capacity. GDP grew by 0.7% in Q2 2022, despite the backdrop of a record low in the consumer confidence measure.

China

CSI 300: -7.12%

China was the worst-performing market in the region as slowing economic growth, ongoing

Discrete Monthly Performance as at 31/07/2022



tightening is likely to relent from this point forward.

US growth contracted by 0.9% in Q2 2022 following a decline of 1.6% in the previous quarter. Inflation was above the market consensus at 9.1% and this represented the largest increase in more than 40 years. However, the unemployment rate held steady at 3.6%.

Europe

FTSE Developed Europe ex UK: 5.11%

Eurozone shares gained in July. However, the European Central Bank (ECB) raised interest rates by a larger-than-expected 0.5%, ending the era of negative rates.

Eurozone inflation was 8.9% in July, with energy prices again contributing the largest proportion of the rise. Concerns continued over the security of the gas supply to Europe after the Nord Stream 1 pipeline, which supplies gas

Covid-19 lockdown measures (as part of China's zero-Covid policy) and regulatory issues weakened investor sentiment. In Hong Kong, heavy selling of technology stocks, such as e-commerce company Alibaba, dragged the market lower. Meanwhile, problems in the property market continued to spread.

Economic data released in the month was mixed. While the economy expanded at its slowest rate since the beginning of 2020, at 0.4% year-on-year in Q2, June's exports grew 17.9% compared to the same month last year.

Japan

Topix: 5.49%

The Japanese stock market rose steadily during July, ending 3.7% higher. Furthermore, the Yen strengthened against both the US Dollar and Sterling.

Market events were overshadowed by the assassination of former Prime Minister Shinzo

Abe on 8 July. Although Japan has had two Prime Ministers since Mr Abe, he remained a hugely influential figure within the ruling Liberal Democratic Party (LDP). In the immediate aftermath, however, the resulting strong support shown for the LDP in the Upper House elections has solidified the position of current Prime Minister Kishida.

The Bank of Japan left policy unchanged at its July meeting. This was despite the release of the inflation data, which continued to edge up to 2.2%.

Emerging Markets

MSCI Emerging Markets: -0.45%

Indian equities gained in July and were the best performing in the MSCI Emerging Markets Index on the basis of renewed investor optimism. South Korea also achieved a solid gain in July after the country announced that the economy had grown by 0.7% in Q2 2022 which exceeded analyst expectations.

Despite weaker energy prices, Qatar, Saudi Arabia and UAE performed well, as markets

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.

were supported by good corporate earnings results over the month. The Saudi Arabian economy grew by 11.8% year-on-year in Q2 2022. Furthermore, both the UAE and Saudi Arabia announced fiscal stimulus packages to aid low-income citizens.

Overall, emerging market equities did not participate in the equity rally at the same level as developed markets.

Global Bonds

Bloomberg Barclays Global Agg: 1.92%
Bond yields fell in July (meaning prices rose), alleviating some of the intense downward pressure on values seen during 2022. The US 10-year yield fell from 2.97% to 2.64%. European yields also declined over the month, as Germany's 10-year yield fell from 1.37% to 0.82% and Italy's from 3.39% to 3.15%.

Cumulative Performance and Annualised Volatility as at 31/07/2022

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	-2.41	-6.58	5.83	7.30
UK Equities	5.51	9.89	21.48	13.89
US Equities	8.47	44.40	92.85	14.39
European Equities	-7.82	12.38	22.94	13.88
Japan Equities	-2.06	9.46	22.48	12.11
Asia Equities	-2.56	19.91	36.31	14.27
China Equities	-3.09	18.66	33.92	17.72
Emerging Market Equities	-8.70	3.35	13.60	12.93
Global Equities	3.78	32.39	65.24	13.48

Data source FE Analytics 31/07/2022. 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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