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July 2023 Market Commentary

“Equities posted positive returns, as emerging markets outperformed developed markets and China pledged to support the economy ”

July was a positive month for global equities. In contrast to the year to date, emerging markets outperformed developed market equities, as Chinese authorities pledged measures to boost and support the economy. Domestic based (smaller) companies also tended to perform well in their respective indices. Equity gains were further supported by the surprisingly lower inflation readings in several developed markets, including the US and the UK.

Corporate bonds outperformed governments bonds in the month, but over the month global bond yields rose, which meant that capital values fell.

United Kingdom

FTSE All Share: 2.62%

UK equities rose over the month as investors tempered their expectations of continued aggressive rate hikes by the Bank of England, as inflation eased sharply to 7.9%. As a result of the better-than-expected inflation figures, UK gilt yields fell, which caused their prices to rally. In particular, the house building and real estate sectors bounced back strongly on the back of this economic data, as it is forecast that this will lead to a reduction in mortgage interest rates.



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United States

S&P 500: 1.96%

Data from the US continued to indicate resilient economic growth, which led to equities rallying. The US economy expanded by 2.4% in Q2 2023, which was above economists' forecasts of a 1.8% expansion. Despite inflation rising by 0.2%, following the 0.1% increase the previous month, the increase was below the market forecast and meant that the annual

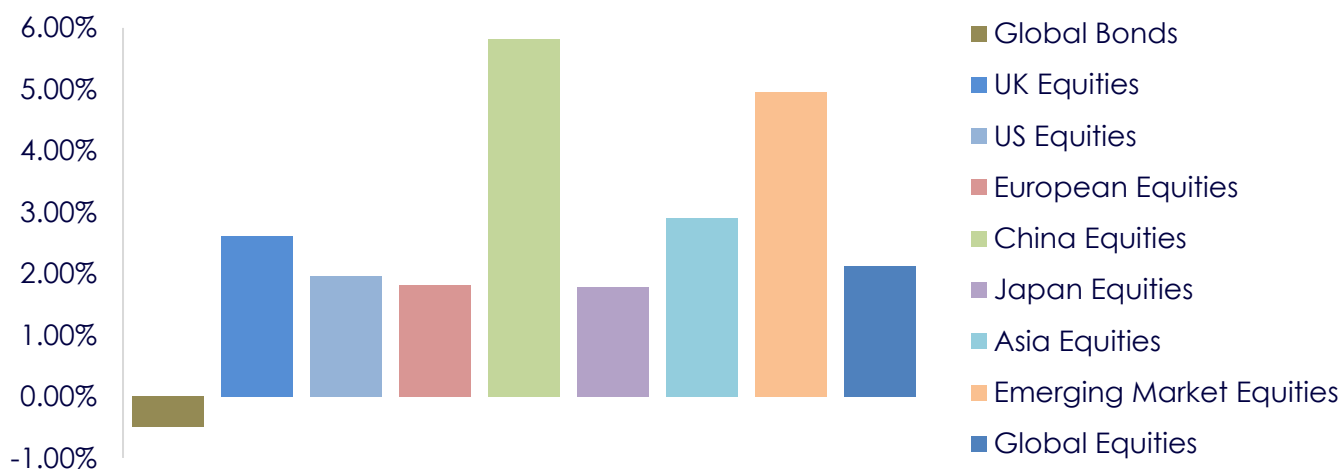
Economic growth data showed that Eurozone GDP grew by 0.3% in Q2 2023, albeit the forward-looking data purchasing managers' index (PMI) for July, fell to an eight-month low of 48.9, which suggests that the economy may be contracting.

China

CSI 300: 5.81%

The Chinese government announced its

Discrete Monthly Performance as at 31/07/23



inflation rate in the US was measured at 3.0%.

The US Federal Reserve (Fed) raised interest rates by 0.25% in July, but offered no firm position on whether further rates rises would occur at their next meeting in September. Investors are expecting that this will be the final interest rate hike of this cycle.

Europe

FTSE Developed Europe ex UK: 1.81%

Eurozone equities made gains in July, supported by a fall in inflation, positive economic growth data and resilient company earnings reports.

The European Central Bank (ECB) raised interest rates by 0.25% in July. However, investors began to anticipate that the Central Bank might be close to the end of its rate-hiking cycle as inflationary pressures are falling. Annual inflation for July was estimated at 5.3%, down from 5.5% the previous month.

determination to support its deteriorating economy with new initiatives to boost consumption along with initiatives to assist the real estate sector. Furthermore, they pledged to alleviate local government debt burdens.

This led to Chinese equities outperforming developed markets as investors welcomed news of economic stimulus, even if it is somewhat limited. Also visits from several politically influential US individuals appeared to ease the heightened geopolitical tension.

Japan

MSCI Japan: 1.79%

Japanese equities continued to rise in July. The market started the month very positively with the Nikkei 225 Index hitting another 33-year high, but subsequently fell after investors took profits. Markets then stagnated for the rest of the month as investors waited for the quarterly earnings results and the outcome of the Bank

of Japan (BoJ) policy meeting.

The quarterly earnings results were solid in Japan. However, investors remained concerned about the potential of the BoJ tightening current policy. Eventually, BoJ Governor, Ueda, only took moderate action by making a minor adjustment to the yield curve control policy, which had a limited impact on equities.

Economic data from Japan continues to improve. The BoJ Tankan Survey showed robust consumption, wage growth, and inflation figures, further supporting investor sentiment in the region.

Emerging Markets

MSCI Emerging Markets: 4.96%

Emerging market (EM) equities rallied in July and outperformed developed markets, with returns being boosted by higher and more stable commodity prices. Colombia benefitted from stronger energy prices, as did the South African market, where there was growing optimism that the worse-case scenario

of winter blackouts will be avoided.

India under-performed as persistent food price rises kept inflation elevated. Taiwan was behind the index as continued strength in AI stocks was offset by weakness elsewhere in its domestic market. Egypt was the worst-performing index and the only country to post a negative return.

Global Bonds

Bloomberg Barclays Global Agg: -0.50%

Global bond markets delivered negative returns overall in July. The US 10-year Treasury yield continued its upwards trend and increased from 3.81% to 3.95% and Germany's 10-year Bund yield rose from 2.40% to 2.47%. The UK bucked the global trend as the 10-year gilt yield decreased from 4.39% to 4.31%.

The BoJ introduced some market volatility by adjusting its yield curve control policy. While keeping the original target range, it introduced a 1% cap on the 10-year Japanese government bond yield, leading to a sell-off in Japanese government bonds.

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 31/07/2023

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	-7.98	-14.56	-2.63	6.83
UK Equities	6.09	41.75	18.07	14.42
US Equities	6.34	47.90	76.57	14.78
European Equities	14.74	33.15	33.82	14.65
Japan Equities	8.90	26.10	22.03	12.50
Asia Equities	3.36	28.41	32.66	15.88
China Equities	-11.93	-9.20	23.83	17.76
Emerging Market Equities	2.48	6.55	10.99	14.54
Global Equities	7.33	42.03	57.73	13.87

Data source FE Analytics 31/07/2023. 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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