



THROGMORTON
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Monthly Market Update



July 2021

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“Globally, the economic outlook remains positive. The US has enjoyed a strong year and after a double dip recession, growth returned to Europe”



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June 2021 Market Commentary

The global economic outlook remains positive, with data suggesting that the euro area is experiencing a return to growth following a double dip recession as pandemic restrictions are eased in the region. Furthermore, the delay to the UK economy fully reopening is not forecast to materially affect the growth anticipated for 2021. However, growth in the US is expected to slightly slow in the second half of this year after a strong year so far.

United Kingdom

FTSE All Share: 0.16%

Growth of around 7% is still forecast for 2021, despite the delay to lifting all remaining restrictions until 19 July 2021. GDP declined by 1.5% in Q1, which was less than forecast and the estimated growth for April is 2.3%, which would represent the third consecutive month of growth and at the fastest pace since July 2020.

The Bank of England maintained the interest rate at 0.1% and left its target for government bond purchases unchanged at £875 billion. The pace of purchases has slowed from £4.4 billion to £3.4 billion a week, which should not be mistaken for a tightening of monetary policy at this time.

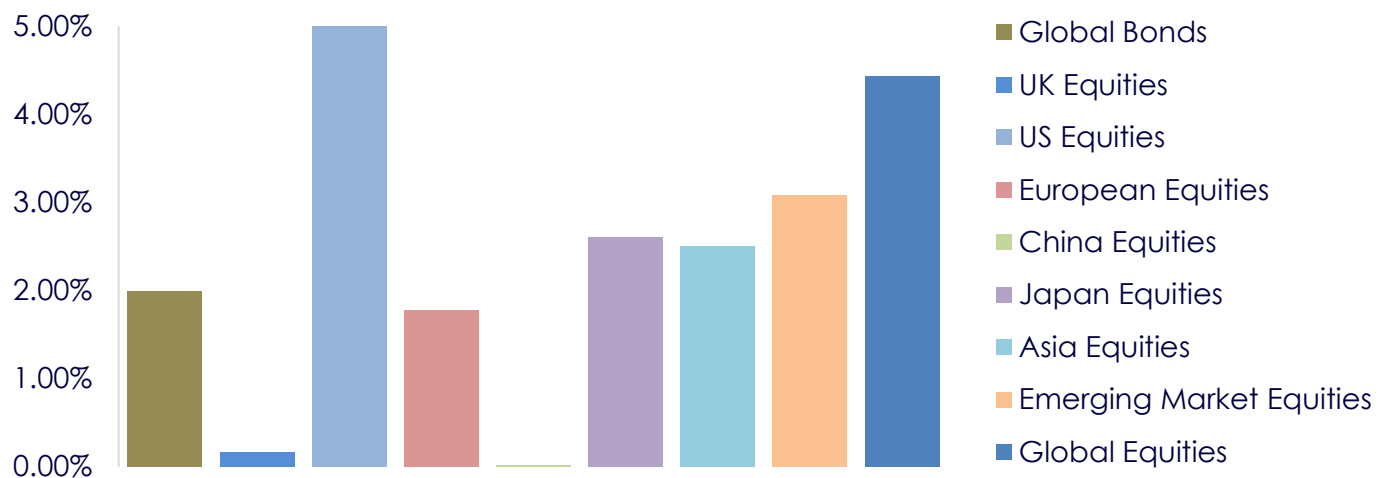
Inflation rose by 2.1% in May, reflecting the increased demand for goods and services as pandemic restrictions were eased.

The unemployment rate fell to 4.7% in the three months to April, down from 5.0% Q1. This rate will continue to be supported by the extension of the Coronavirus Job Retention Scheme to September, which was part of the recent budget.

Europe

FTSE Developed Europe ex UK: 1.78%
Q1 GDP declined by 0.3%, which on top of a contraction of 0.6% in Q4 2020 meant that the euro area was experiencing a double-dip recession. However, data indicates a substantial bounce-back in Q2 and Q3, driven by a rebound in consumption as restrictions on activity are gradually lifted. Full year growth of around 5% is forecast for 2021.

Discrete Monthly Performance as at 30/06/2021



United States

S&P 500: 5.00%

Income support from unemployment insurance and fiscal stimulus is helping to drive consumer spending with growth of double digits projected for Q2 and 7% for 2021 overall.

The Federal Reserve left the interest rate and bond buying purchase unchanged. The interest rate remains at 0%–0.25%. However, it is forecast that interest rates may now rise during 2023, rather than in 2024.

Inflation figures have risen sharply, which is a function of strengthening demand for goods and services as vaccination rates increase and the economy fully reopens. However, this spike in inflation is seen as transitory and the Federal Reserve's 2% target remains the likely path for inflation in the medium term.

A gradual recovery in the labour market continued in May, with 559,000 non-farm jobs created and unemployment falling to 5.8%.

The European Central Bank (ECB) left its interest rate unchanged at negative 0.50%. However, the ECB reiterated that it would continue asset purchases under its €1.85 trillion Pandemic Emergency Purchase Programme (PEPP) at least until March 2022.

Inflation rose to 2.0% in the euro area in May, but it is projected to stay within a range between 1% and 1.5% for 2021

Unemployment in the euro area fell to 8.0% in April, with furlough schemes such as the European Union's SURE programme continuing to support employment.

China

CSI 300: 0.01%

Recent data released revealed a slower than expected economic re-balancing in China, leading economists to adjust growth forecasts in 2021 from 9% to 8.5%. Also, the slow pace of reopening economies globally has impacted growth by reducing demand for exports.

The People's Bank of China (PBC) is expected to continue its strategy of gradual policy normalisation, with the PBC confirming that there would not be a "sharp turn in policy" as the economic recovery continues.

Inflation fell by 0.2% in May, with a rate of 1.5% predicted for 2021, which is considerably below the PBC 3% target.

Japan

MSCI Japan: 2.60%

Towards the end of May there was a substantial acceleration in the vaccination rate. Japan is now capable of administering one million vaccinations per day. However, growth in the region is expected to be impacted by recent economic data.

Despite the rise in global inflation, Japan's data continues to show signs of mild deflation.

Emerging Markets

MSCI Emerging Markets: 3.08%

Growth in excess of 6% is expected in emerging markets for 2021. In emerging Asia, growth of above 8% is forecast for 2021. However, slower growth of 4% in Latin America is projected due to the impact of the Pandemic.

Some central banks have raised rates. The Bank of Russia raised its interest rate to 5.5%, which is in addition to both Brazil and Turkey raising interest rates in recent months.

Global Bonds

Bloomberg Barclays Global Agg: 1.99%

US 10 Year Treasury yields declined over Q2, falling to 1.47%, with the Federal Reserve becoming more hawkish in its tone, the UK 10-year yield fell to 0.72%, following a sharp rise in the previous period.

Corporate bonds performed well, returning 2.4%, which outpaced government bond returns.

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 30/06/2021

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	-8.20	8.20	8.63	7.78
UK Equities	21.45	6.28	36.86	13.75
US Equities	25.34	57.08	111.89	13.03
European Equities	22.18	30.88	70.81	13.58
Japan Equities	11.66	17.86	57.17	11.96
Asia Equities	32.41	40.35	89.26	13.84
China Equities	25.07	55.33	83.31	16.03
Emerging Market Equities	26.03	31.67	78.51	13.36
Global Equities	24.36	45.31	93.19	12.43

Data source FE Analytics 30/06/2021. 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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