



THROGMORTON
PRIVATE CAPITAL

Monthly Market Update



June 2024

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“With an improving economic outlook, investors are more optimistic and this is supporting a rally in markets which generally rose during May”



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May Market Commentary

Ongoing investor optimism about the economic outlook was supportive to most risk assets in May. Developed market equities rose in May and outperformed emerging markets.

Investors also now anticipate that US interest rate cuts may come later than in other regions, such as Europe and the UK. Despite investors continuing to anticipate interest rate cuts, bond yields, in general rose, which led to a fall in price. However, there was regional divergence in bond markets, with some markets seeing gains.

United Kingdom

FTSE All Share: 2.41%

UK equities rose in May as the FTSE 100 Index achieved a new all-time high. Small and mid-sized company equities performed strongly amid a flurry of new overseas takeover bids and on hopes of a possible turning point for domestically focused areas of the UK market.

It was confirmed that the UK economy rebounded strongly in Q1 2024, recording GDP growth of 0.6%. However, this news was tempered by a lower-than-expected decline in annual inflation to 2.3%.

Consequently, investors have pushed out their expectations for the first interest rate cut by the Bank of England (BoE).

United States

S&P 500: 3.18%

US equities posted strong gains in May, supported by some solid corporate earnings and hopes that interest rate cuts are still forthcoming. The equity market advance continues to be led by the technology sectors with some of the “Magnificent-7” stocks performing well amid strong earnings and high demand for AI-related technologies.

decade, up 6.3% in Q1 2024. Forward-looking data also pointed towards economic recovery as the Purchasing Managers' Index (PMI) for May reached a 12-month high of 52.3, which indicates growth.

China

CSI 300: -2.13%

Higher than expected Q1 2024 economic growth boosted investor sentiment towards

Discrete Quarterly Performance as at 31/05/2024



Inflation remained sticky in the US and at a level above the US Federal Reserve's (US Fed) 2% target. Fed chairman, Jay Powell, commented on the “lack of progress” on bringing inflation down, but that interest rate rises were unlikely. There were signs of moderation in the economy as non-farm payroll data showed 175,000 jobs were added, which was below the consensus expectation.

Europe

FTSE Developed Europe ex UK: 3.50%

Eurozone equities advanced as investors widely anticipate that the European Central Bank (ECB) will cut interest rates at their meeting in June. This is despite the data showing that inflation increased from 2.4% in April to 2.6% in May. However, the timing of further interest rate cuts remains uncertain.

Labour market data from Germany showed wages growing at the fastest pace in nearly a

Chinese equities, which in Sterling terms fell during May. There was also renewed optimism about government support for the housing sector and President Xi's reform rhetoric.

Japan

MSCI Japan: -0.33%

The Japanese equity market experienced a rebound in May, with the TOPIX generating a total return of 1.2% in local currency terms. However, the Japanese yen fell relative to Sterling and thus the market produced a slightly negative return for UK investors. The persistently weak yen has weighed on market sentiment. However, full-year corporate earnings were stronger than expected.

Although there are no clear signs of a recovery in consumer sentiment or real wage growth, the labour market remains tight, and gradual wage increases are therefore expected to support consumption over the rest of the year.

Furthermore, tourism continues to be buoyant, with a record-high number of inbound tourists anticipated to contribute to an economic recovery.

Emerging Markets

MSCI Emerging Markets: -1.10%

Emerging market equities in aggregation lagged developed market peers. However, there were some regional exceptions as equities in Taiwan achieved robust gains, driven by ongoing investor enthusiasm for AI. Furthermore, Indian equities also achieved modest growth as many overseas investors seeking exposure to emerging markets switched their attention to India's fast-growing economy and away from China.

The UAE, Qatar and Saudi Arabia were impacted by the price of Brent Crude falling by 7.1% in May. Furthermore, South Africa posted negative returns, as investor confidence was impacted by the election outcome, with the ruling ANC party not achieving a majority.

Global Bonds

Bloomberg Barclays Global Agg: -0.36%
Government bond markets diverged in May. US Treasury yields fell from their recent highs and therefore outperformed European markets where yields crept higher. Positive inflation data, signs of weaker growth, and softer labour market indicators supported US bonds. Furthermore, renewed confidence in the US Fed lowering interest rates later this year supported bond markets.

The BoE Monetary Policy Committee meeting was interpreted as relatively dovish by the market, with Deputy Governor Ramsden joining one other in voting for an interest rate cut this time around. However, disappointing news on the progress of inflation initiated a sell-off in UK Gilts, which meant yields rose.

The news on eurozone inflation was equally as disappointing, adding upward pressure on yields. May's preliminary inflation release showed higher-than-expected core inflation, driven by the service sector.

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 31/05/2024

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	-1.90	-6.73	-8.77	6.35
UK Equities	15.44	25.54	37.32	14.27
US Equities	24.22	44.44	101.13	13.99
European Equities	16.91	22.60	56.59	14.59
Japan Equities	15.48	20.00	42.50	12.35
Asia Equities	9.97	6.71	43.87	16.14
China Equities	-7.67	-29.50	3.60	16.86
Emerging Market Equities	9.40	-7.94	17.85	14.40
Global Equities	21.60	35.50	80.44	13.36

Data source FE Analytics 31/05/2024. 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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