



THROGMORTON
PRIVATE CAPITAL

Monthly Market Update



June 2022

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May 2022 Market Commentary

“Despite the lingering concern over inflation and the war in Ukraine, global equities remained largely unchanged in May”

Global equities ended largely unchanged in May. Markets continue to be concerned about rising inflation and the potential for a faster pace of central bank monetary policy tightening, increasing interest rates and of course the ongoing war in Ukraine. Bond markets were mixed, with UK & European markets seeing further increases in yield and reductions in capital values, whereas yields fell in the US and led to capital value appreciation.

United Kingdom

FTSE All Share: 0.69%

Larger companies on the UK market continue to outperform the smaller more domestic focused ones due to their exposure to the energy, financial and commodity sectors. This led to UK equities making a slightly positive overall return in May.

Inflation surged to a 40-year high in April, reaching 9%, with the increase attributed to the rise in the government's energy price cap, which had previously sheltered households from rising wholesale energy prices.

However, during Q1 2022 the UK economy grew by 0.8%. mainly due to the easing of coronavirus restrictions. This was positive news, as it



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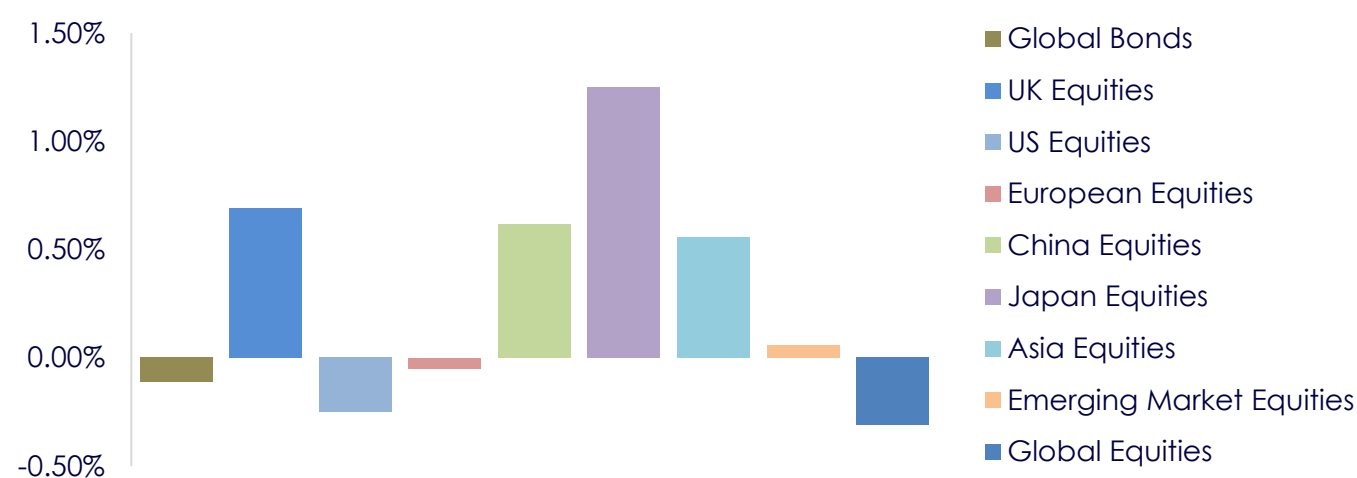
was contrary to market expectations. The UK continues to be in the midst of a cost of living crisis, which has required further intervention to help households with rising energy bills.

The Bank of England raised interest rates to 1% at the start of May. At the same time, it released its forecast for future interest rates, which are expected to be 1% higher than the current rate over the next three years.

well. Inflation rose to 8.1% in May, which has added pressure on the European Central Bank to raise interest rates, with some forecasting that this could be as early as July.

As the war in Ukraine continued, Eurozone leaders agreed a partial embargo of Russian oil imports which is due to take effect by the end of this year. In retaliation, Gazprom said it would halt gas supplies to Shell in Germany

Discrete Monthly Performance as at 31/05/2022



United States

S&P 500: -0.25%

US equities ended May slightly down, albeit energy, utilities and financial stocks all performed well. However, stocks linked to consumer spending were weaker over concerns of the impact of inflation on households.

The US Federal Reserve's tone grew increasingly hawkish, stating that they will "keep pushing" until inflation falls convincingly, while adding that this may require the central bank to move "more aggressively". This followed inflation rising by 0.2% during the month and US GDP growth contracted during Q1 2022.

Europe

FTSE Developed Europe ex UK: -0.05%

Shares in Europe registered a modestly negative return. Like other developed markets, the energy and financial sectors performed

after the UK-based oil firm refused to use the Kremlin's 'Rouble Payment Mechanism'.

China

CSI 300: 0.62%

There were modest gains in Chinese equities during May. The authorities in Shanghai announced plans to ease Covid-19 lockdown restrictions and unveiled plans to boost the economy, supporting the hope of an increase in consumer demand and therefore improved growth within the world's second largest economy. Hong Kong shares also ended May positively despite volatile trading conditions, as the lockdowns in China impacted corporate earnings.

Japan

Topix: 1.25%

Although Japanese markets were initially weak in May, they eventually produced a positive return, especially as returns were bolstered by the Yen strengthening against the US Dollar.

Domestic economic sentiment was also helped by better than expected corporate results.

Japanese inflation escalated to 2.1% in May, which led to market commentators asking for clarity on Prime Minister Kishida's "New Capitalism" policy. Initially it was thought that the policy emphasis would be on income redistribution. However, the May policy outline has shifted in focus to generating economic growth, which was broadly welcomed by the markets.

Emerging Markets

MSCI Emerging Markets: 0.06%

Emerging market equities posted a modest gain in May. Latin American markets generated the most robust of the gains, led higher by Chile, which was the best-performing index market. However, despite a rise in prices, net crude oil exporting emerging market countries lagged the general index, with the UAE, Saudi Arabia, Qatar and Kuwait all finishing in negative territory.

Global Bonds

Bloomberg Barclays Global Agg: -0.11%
Government bond yields in the UK and Europe rose further over May, with concerns over inflation and interest rate rises remaining at the forefront of investors minds. The UK 10 year gilt yield rose to 2.10% and in Germany this rose to 1.13%. However, there was divergence in the market as the US 10 year Treasury yield fell to 2.85%, which led to a rise in the underlying capital value.

There was a divergence in corporate bonds too, with US investment grade corporate bonds posting a positive total return, which was in excess of the return achieved by US Treasuries, whereas European investment grade corporate bonds declined and under-performed European 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 31/05/2022

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	-2.11	-4.25	2.84	7.26
UK Equities	8.27	18.44	22.17	13.54
US Equities	11.69	55.52	86.86	13.70
European Equities	-2.35	24.72	26.35	13.33
Japan Equities	-2.23	16.09	22.65	11.70
Asia Equities	1.34	36.64	48.33	13.68
China Equities	-15.60	24.02	36.33	16.47
Emerging Market Equities	-9.57	15.76	23.44	12.96
Global Equities	7.36	42.96	62.89	12.84

Data source FE Analytics 31/05/2022. 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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