

MARKET COMMENTARY

August 2024

SNAPSHOT

- After a volatile month, equities remained positive, with leadership shifting to small caps, value stocks.
- Global bonds gained as yields declined.
- The dollar declined against major currencies while the Japanese yen surged.

All percentages below are monthly returns for July 2024

EQUITIES



BOND MARKETS

BONDS

Softening inflation drove yields lower

	UK GILTS	1.8%
	US TREASURIES	2.2%
	GLOBAL CORPORATE BONDS	0.9%
	GLOBAL HIGH YIELD BONDS	0.4%



*Values represent bond index returns

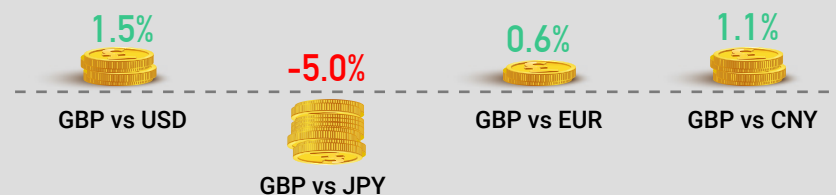
CURRENCIES

CURRENCIES

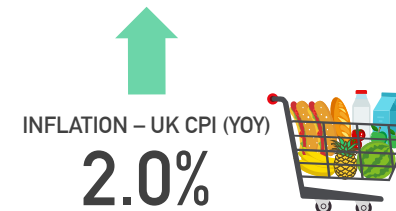
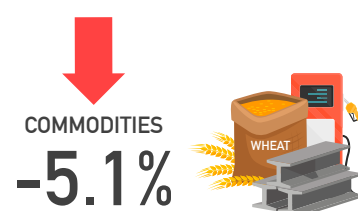
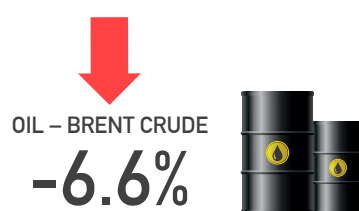
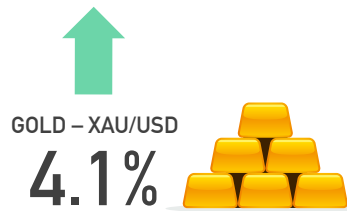
Stirling strengthened but weakened against the yen



Pound vs Other Currencies



KEY INDICATORS



DISCLAIMER – The value of investments and the income from them can go down as well as up and past performance is not a guide to future performance. Returns are in local currency unless indicated otherwise. Source: Bloomberg.

GLOBAL MARKETS

Market volatility increased on signs of economic weakness, despite the benefits of moderating inflation and lower interest rates.



US MARKETS

Disappointing tech giants tempered overall returns

Despite strong corporate earnings, with about two-thirds of S&P 500 companies beating analysts' expectations, four of the 'Magnificent Seven' tech giants disappointed, causing a tech sell-off before a month-end rebound. U.S. inflation softened faster than expected. The Consumer Price Index (CPI) fell to 3% in June, while Core CPI, excluding food and energy, rose by 3.3%, which was slightly below expectations, spurring speculation about potential interest rate cuts. This reflects a dovish outlook amid signs of a slowing economy and softening labour market, and prompted a shift from mega-cap companies to more interest rate-sensitive areas like small caps.

1.1%

US 500



UK MARKETS

Positive economic momentum propelled marketing returns

UK equities outpaced global counterparts, with the FTSE All-Share index rising 3.1%. This growth is attributed to robust PMIs in the service sector for July, in addition to economic growth in the second quarter that surpassed expectations, both indicating a positive shift in economic momentum. Certain sectors within the FTSE All-Share, such as energy and consumer goods, have shown strong performance, contributing to the rise in the overall index. The general UK election did not cause any significant market fluctuations, as a Labour win was widely anticipated.

3.1%

UK All Share



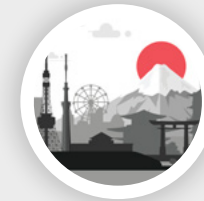
EUROPEAN MARKETS

Mixed performance and data led to modest gains

European stocks posted modest gains for the month, with a disappointing PMI report (indicating a slight slowdown in eurozone economic growth over the summer) and uncertainties around the French elections weighing on performance. However, Eurostat's GDP estimates showed a 0.3% increase in Q2 2024 for both the euro area and the EU. However, Germany's economy contracted by 0.1%, a further sign of economic challenges for the bloc's largest economy. Annual inflation in the Euro Area unexpectedly rose to 2.6% from 2.5%, defying forecasts which had anticipated 2.4%. European bonds had a strong month, with peripheral bonds outperforming core bonds.

0.6%

Euro 600 Index ex UK



JAPAN MARKETS

Underperformed other developed markets

The Japanese TOPIX index underperformed, with the decline partly due to weakness in global technology shares, exacerbated further by a strengthening yen. Anticipation of an earlier Federal Reserve rate cut, and the Bank of Japan's decision to raise its interest rates, contributed to the yen's appreciation against the US dollar. As part of its monetary policy normalisation, the Bank of Japan raised its policy rates from a 0%-0.1% range to 0.25%. Additionally, it announced a reduction in Japanese Government Bond (JGB) purchases by 400 billion yen per quarter, which will start in August.

-0.5%

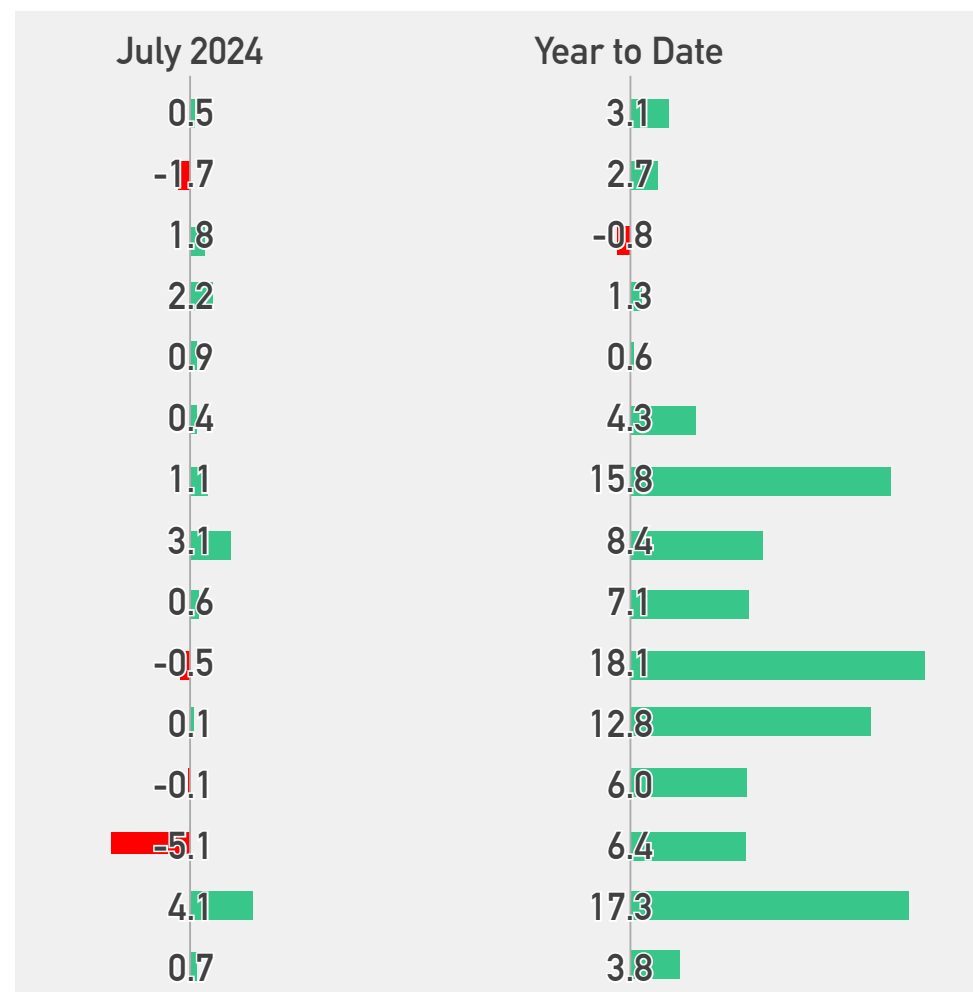
Japan Index



DISCLAIMER – The value of investments and the income from them can go down as well as up and past performance is not a guide to future performance. Returns are in local currency unless indicated otherwise. Source: Bloomberg.

THE WORLD AT A GLANCE

	2019	2020	2021	2022	2023
UK CASH	0.7%	0.2%	0.0%	1.4%	4.7%
US DOLLAR INDEX	0.2%	-6.7%	6.4%	8.2%	-2.1%
UK GILTS	6.9%	8.3%	-5.2%	-23.8%	3.7%
US TREASURIES	6.9%	8.0%	-2.3%	-12.5%	4.1%
GLOBAL CORPORATE BONDS	7.3%	7.1%	-1.9%	-6.8%	4.0%
GLOBAL HIGH YIELD BONDS	8.3%	3.8%	2.0%	-2.3%	8.2%
US 500	28.9%	16.3%	26.9%	-19.4%	24.2%
UK ALL SHARE INDEX	14.2%	-12.5%	14.5%	-3.2%	3.8%
EURO 600 INDEX EX UK	24.2%	1.0%	22.4%	-14.9%	14.8%
JAPAN INDEX	15.2%	4.8%	10.4%	-5.1%	25.1%
ASIA EX JAPAN	17.9%	22.4%	-3.1%	-15.4%	6.4%
EMERGING MARKETS	15.4%	15.8%	-4.6%	-22.4%	7.0%
COMMODITIES	13.1%	-26.1%	41.6%	41.9%	-9.7%
GOLD	18.0%	20.9%	-4.3%	-0.7%	12.8%
HEDGE FUNDS	8.1%	5.8%	3.0%	-4.4%	2.7%

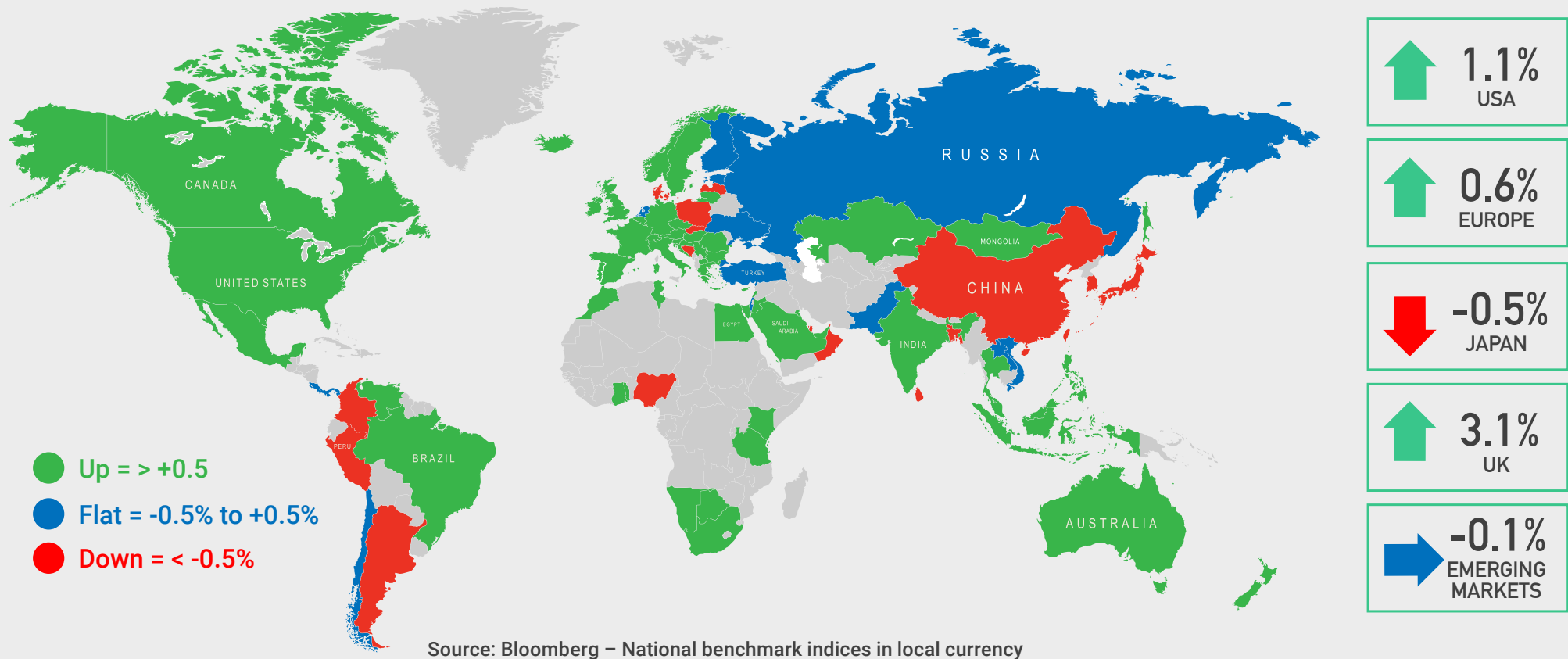


Source: Bloomberg

Total Return – Local Currency

DISCLAIMER – The value of investments and the income from them can go down as well as up and past performance is not a guide to future performance. Returns are in local currency unless indicated otherwise. Source: Bloomberg.

WORLD EQUITY MARKETS

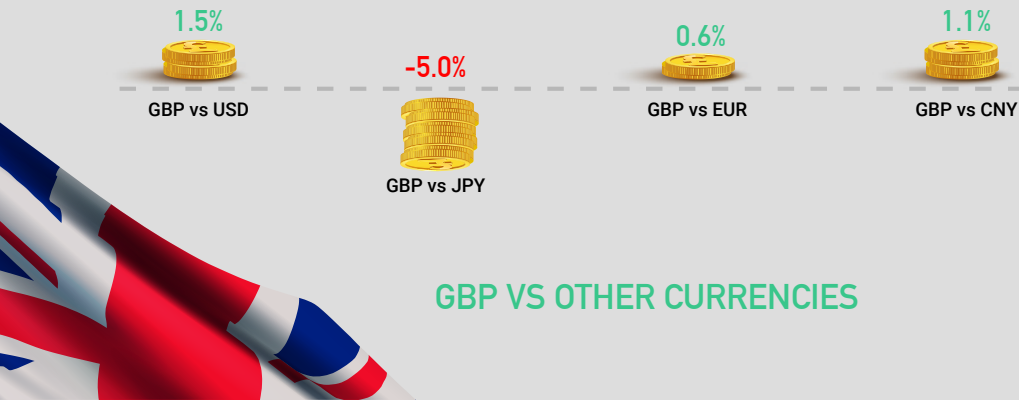


Key Points

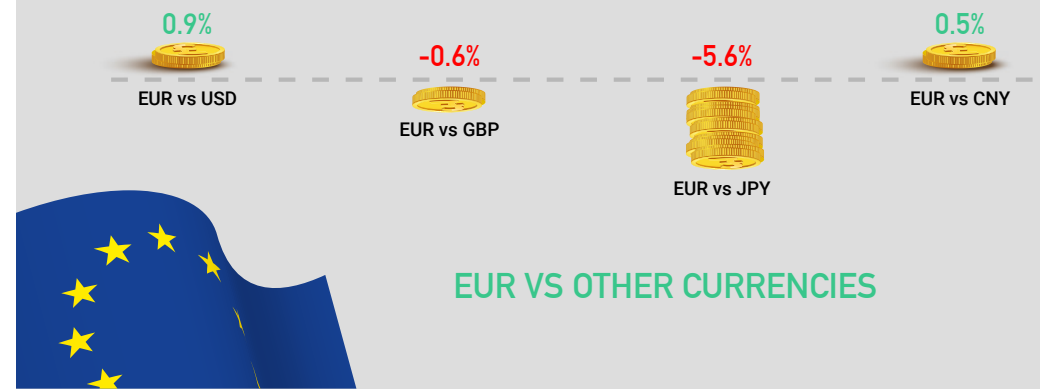
- Global equities delivered a modest return over the month, with developed markets outperforming emerging markets, and small-cap stocks outperforming large-cap stocks in aggregate.
- US equities recorded gains, with large-cap growth equities underperforming their value-based counterparts, and small-cap stocks outpacing large caps. Some cooling inflationary pressures increased the likelihood of a September Fed rate cut.
- UK equities had a strong month, outperforming their developed market peers, with robust service sector PMIs helping to drive returns.
- Chinese equities continued to face difficulties due to persistent challenges in the real estate sector, which has broad negative implications on the economy overall.

DISCLAIMER – The value of investments and the income from them can go down as well as up and past performance is not a guide to future performance. Returns are in local currency unless indicated otherwise. Source: Bloomberg.

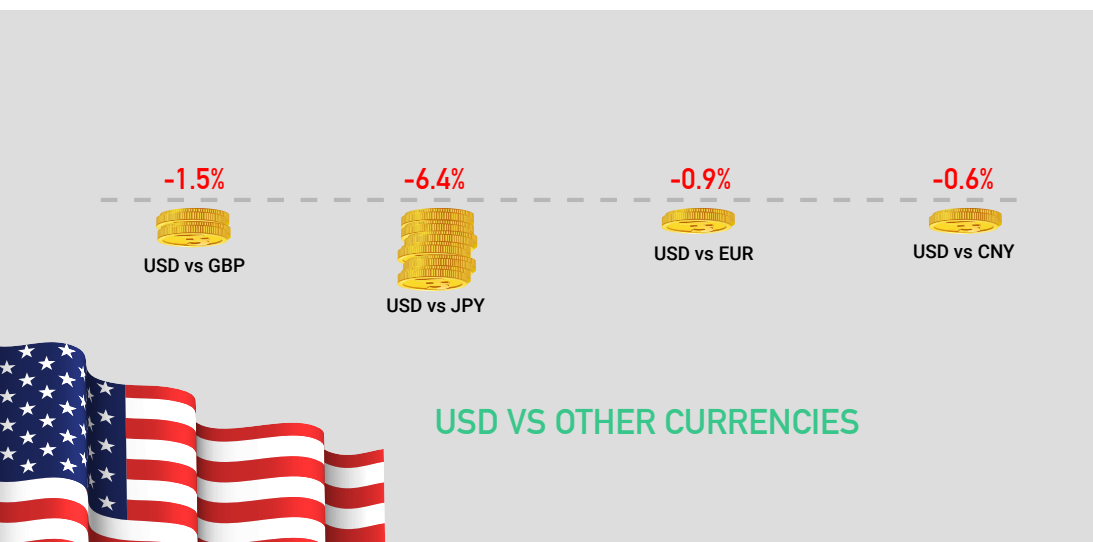
CURRENCIES



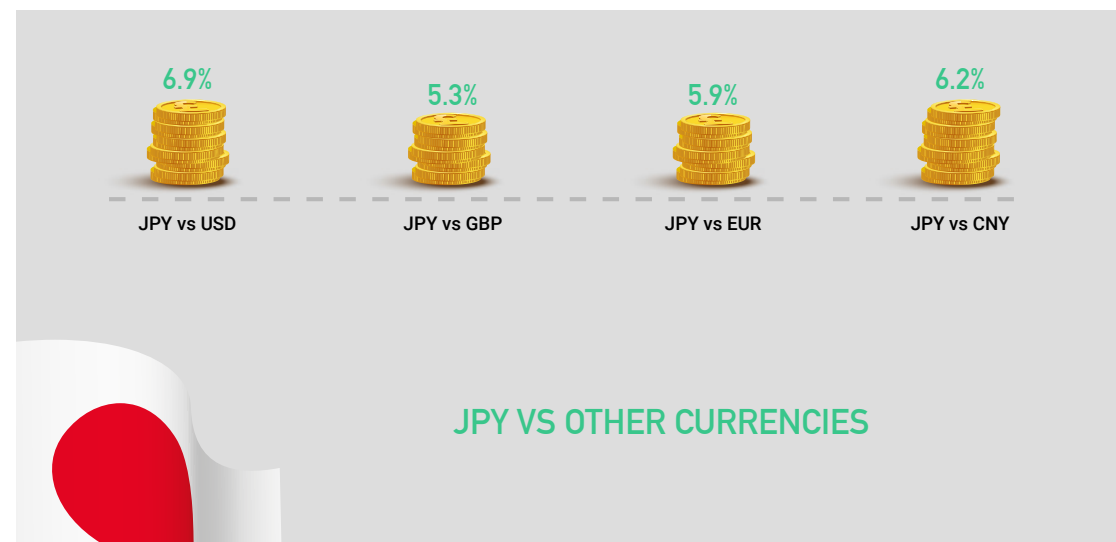
GBP VS OTHER CURRENCIES



EUR VS OTHER CURRENCIES



USD VS OTHER CURRENCIES



JPY VS OTHER CURRENCIES

Key Points

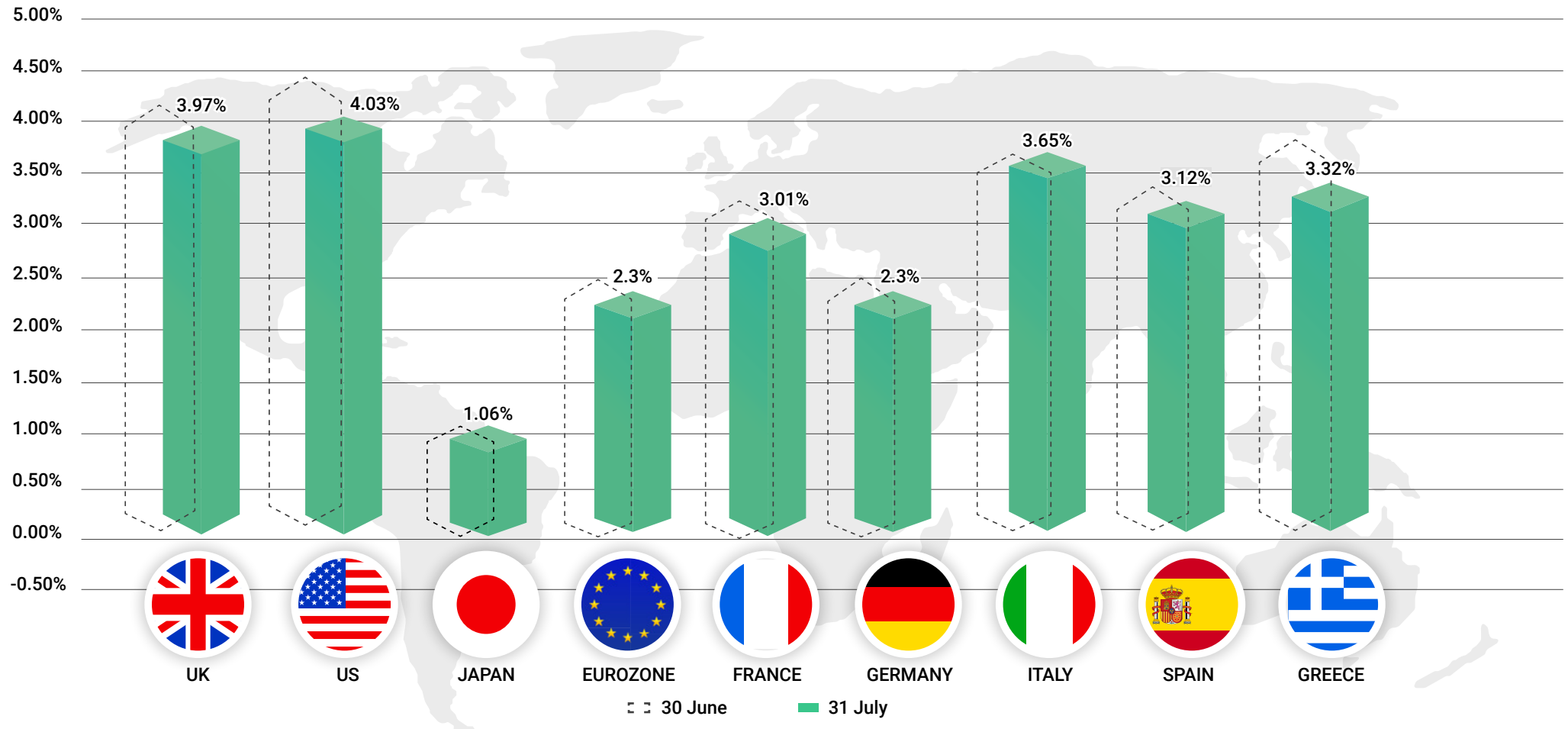
- The US dollar had a volatile month versus major currencies, but ended the month marginally weaker against sterling and the euro. However, the US dollar weakened significantly against the yen, as speculation of rates hikes drove the yen higher.
- The Japanese yen strengthened significantly against the major currencies throughout July, driven by speculation of potential rate hikes and currency intervention by the Bank of Japan.

- Sterling strengthened against the US dollar, as lower US inflation data increased speculation of a US rate cut.
- The euro marginally strengthened against the U.S. dollar but weakened slightly against sterling. However, early gains were tempered, as ECB policymakers indicated there was no rush to cut rates further.

DISCLAIMER – The value of investments and the income from them can go down as well as up and past performance is not a guide to future performance. Returns are in local currency unless indicated otherwise. Source: Bloomberg.

GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- Global bond markets had a strong month, with government bonds performing particularly well. The bond markets were buoyed by heightened expectations of rate cuts taking place.
- US Treasuries gained over the month, driven by speculation of a Federal Reserve rate cut.
- With the bond market anticipating further interest rate cuts by the European Central Bank, eurozone government bonds continued to perform well.
- UK gilts underperforming global bond markets, with stronger-than-expected GDP growth, and persistent services inflation, tempering rate cut expectations.
- Corporate and high-yield bonds underperformed government bonds but still delivered positive returns over the month.

DISCLAIMER – The value of investments and the income from them can go down as well as up and past performance is not a guide to future performance. Returns are in local currency unless indicated otherwise. Source: Bloomberg.

GLOSSARY OF TERMS

BoE	Bank of England – central bank of the United Kingdom
BoJ	Bank of Japan – central bank of Japan
Correlation	The degree to which the returns of financial assets or instruments move in relation to each other
CNY	Chinese renminbi (yuan) – currency of the People’s Republic of China
CPI	Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
Dovish	The approach in which central banks are likely to keep monetary policy “loose” or accommodative
ECB	European Central Bank – the central bank of the European Union countries which have adopted the euro
EUR	Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency
The ‘Fed’	or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks
GBP	British Pound – sometimes referred to as ‘sterling’
GDP	Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries

Growth Stocks	Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends
Hawkish	The approach in which central banks are likely to keep monetary policy “tight” or restrictive
JPY	Japanese Yen – currency of Japan
Macro	or Macroeconomics – a branch of economics that deals with the performance, structure, behavior, and decision-making of an economy as a whole
PMI	Purchasing Managers’ Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
USD	US Dollar – currency of the United States of America
Value Stocks	Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to Growth stocks.
Yield Curve	a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity
YoY	Year over year

DISCLAIMER

The information contained in this document is for informational purposes only and should not be construed as a solicitation or offer, or recommendation to acquire or dispose of any investment, and examples used are for illustrative purposes only. This document provides commentary and data on global markets and does not provide any reference to specific products and should not be construed as a solicitation or offer, or recommendation to acquire or dispose of any investment in any jurisdiction. While all reasonable efforts are made to obtain information from sources which are accurate at the date of production no representation is made or warranty provided that the information or any opinions contained in this document are accurate, reliable or complete. The information and any opinions contained in this document are based on current market conditions and certain assumptions and are subject to change without notice. Any user must, in any event, conduct their own independent due diligence and investigations, together with their professional advisers, into legal, regulatory, tax, credit and accounting matters before making any investment, rather than relying on any of the information in the document. The value of investments and the income from them can go down as well as up and past performance is not a guide to future performance.

This document is issued by Collidr Asset Management Ltd which is authorised and regulated by the Financial Conduct Authority (713361) and is registered in England and Wales. Company No. 09061794.

Registered office: 34 Southwark Bridge Road, London, SE1 9EU, UK.

Sources: Collidr, Bloomberg. Indices: Barclays, FTSE, Bloomberg, STOXX, Japan Exchange Group, MSCI, S&P, New York Mercantile Exchange, Chicago Mercantile Exchange, Bureau of Labour Statistics, US and Office for National Statistics, UK