



June Market Update: A month of goals and own goals

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In a nutshell

- UK inflation hits 2% target
- Bank of England still holding off on first rate cut
- Voters rallying as elections take place across the world
- Nvidia briefly becomes world's most valuable company

What's moving markets

While football fans across the country will be lamenting a lacklustre last-16 performance from the England team, some solace can be found in UK inflation finally hitting the 2% target. In keeping with Jude Bellingham's 95th minute equaliser, it's a great milestone, but it's taken a lot longer than expected.

Headline inflation figures capture the headlines. But it's not until you unpack the details that you can really pass judgement. Both wages and services (which make up a big chunk of the UK economy) are still rising much faster than the Bank of England would like, making the 2% figure more of a technical tick in the box than a big win. It's not surprising any potential rate cut has been pushed to August or September at the earliest.

The UK heads to the polls on Thursday this week, following a month of manifesto comparisons and TV debates - and an oddly busy June for the gambling commission. Putting to one side the accuracy of polls, it looks like a done deal given the margin Labour currently have.

The French are getting in on the action too, with Macron surprising everyone with a snap election following disappointing results in the EU Parliament. In a fairly complex political system, a two round voting process is underway, with an outcome that may involve Macron 'cohabiting' his Presidency with a Prime Minister from a different party. Understandably, risk assets didn't take kindly to this, with the Europe ex UK index June's worst performer.

Elsewhere, we've had bouts of market volatility from election outcomes in Mexico and South Africa. Arguably however, the most impactful result for markets was Narendra Modi failing to win an outright majority in India. His Bharatiya Janata Party (BJP) fell short of the 272 seats needed, so had to rely on a coalition to get over the line. Modi may now need to compromise a little more on policy, broadening the economic agenda to more rural areas and addressing the current disparity across the country a little more directly.

The first US presidential debate happened earlier than it normally would in the run up to the November vote. If it was intended to be a test of Biden's ability to run (theoretically leaving enough time to swap him for someone else). It feels like he failed. It was a stuttering, meandering performance but the decision to run sits with him and it doesn't look like he's got any plans to step aside.

US politics apart, it was business as usual for markets. Nvidia overtook Apple to become the world's 2nd largest company, then for good measure took the top spot from Microsoft later in the month, too. A subsequent "correction" of around 13% made its top ranking short lived, but at this point it appears more of a blip than a serious challenge to the AI momentum currently powering the US market upwards.

Looking past the world's largest stock market, good returns from Gilts offset losses from UK stocks, supporting the benefits of multi asset investing and diversification. Asia and Emerging Markets also produced strong returns, keeping the momentum they've had going all year.

Name	1m	3m	YTD	1yr	3yr
FTSE Actuaries UK Conventional Gilts All Stocks	1.25	-0.89	-2.49	4.76	-22.58
ICE BofA Global Corporate	0.73	0.24	0.38	5.65	-8.19
ICE BofA Global High Yield	0.90	1.42	3.40	10.93	0.88
FTSE All Share	-1.15	3.73	7.43	12.98	23.90
FTSE USA	4.31	3.94	15.60	24.79	40.18
FTSE World Europe ex UK	-1.64	0.26	7.12	13.43	22.03
FTSE Japan	-0.29	-4.66	6.24	12.91	15.44
FTSE Asia Pacific ex Japan	4.24	5.99	9.05	14.15	-2.14
FTSE Emerging	3.78	5.65	9.16	14.11	-1.87

Source: FE Analytics, GBP total return (%) to last month end

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FCA Number 462085.
Registered in England and Wales
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Version date: 02/07/2024