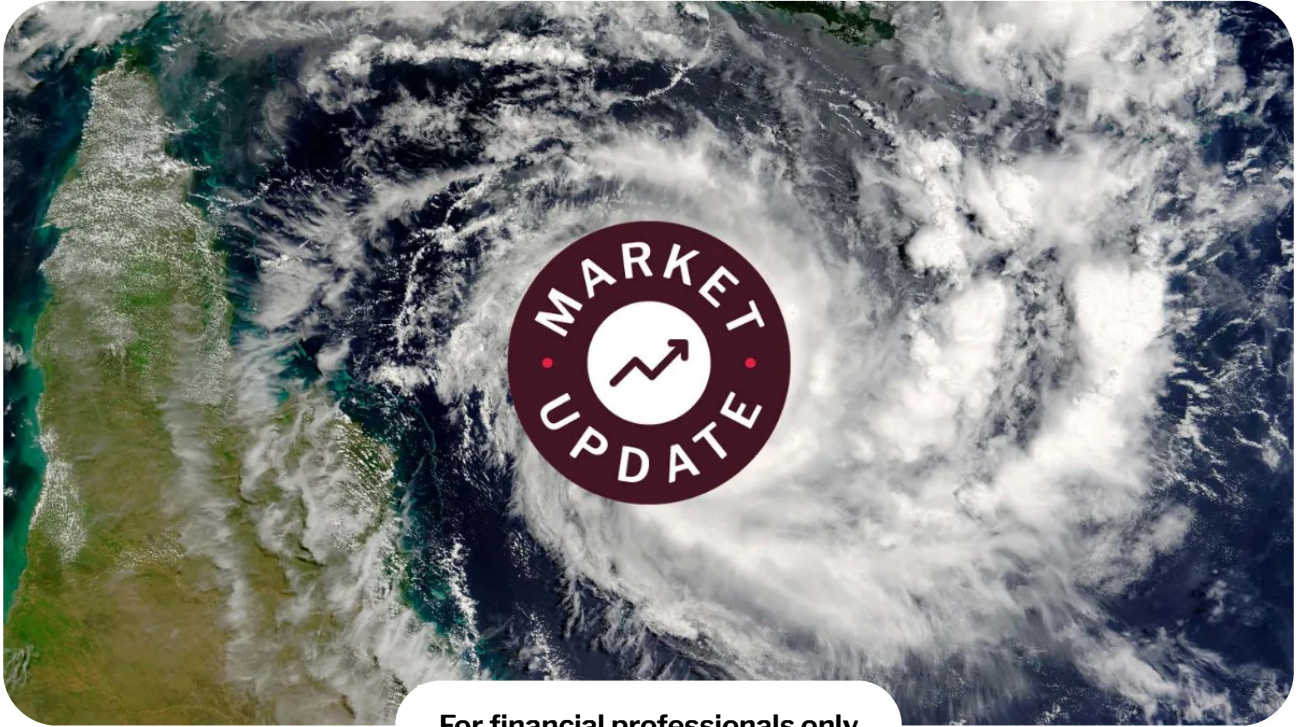


July Market Update: Global shakeups



For financial professionals only

In a nutshell

1. Assassination attempt on Trump and a new Democratic nominee
2. Landslide victory for Labour
3. UK slashes interest rates, Japan hikes them up
4. Tech earnings deliver mixed messages

What's moving markets

While economic data in the US shows signs of cooling, the political climate has heated up dramatically. An assassination attempt on Donald Trump and a big change of direction for the Democrats made headlines, making this month hotter than the long-awaited British

summer.

After ever increasing pressure from his party to step back, Biden withdrew from the presidential race and endorsed Vice President, Kamala Harris, to run in his place. Whether he was pushed or jumped, something had to change. After various gaffes and a very weak debate performance, Biden's odds of re-election were plummeting – and now Trump faces a completely different opponent. Harris's nomination has invigorated Democratic donations, giving Americans a fresh alternative to an octogenarian in office.

In a more straight-forward election, July saw Labour oust the Conservatives and Kier Starmer become the new UK Prime Minister. The expected parliamentary majority was reached and with it some relative stability. This has been rewarded by both currency and equity markets, with the Pound performing strongly and the FTSE up significantly for the month.

With inflation projections continuing on the right path, the Bank of England has been doling out rewards too – making its first interest rate cut since March 2020. More symbolic than impactful, the shift from 5.25% to 5% (via a 5-4 vote) is the first step of a much-anticipated downward journey for rates – particularly for those with a mortgage. Although the move was well-predicted (despite the tight margin), bond yields and mortgage products are unlikely to see much change in the near term. Now, the focus shifts to the magnitude and speed of future rate deductions.

Following the latest decision by the Fed to hold US interest rates steady, a September cut now seems to be firmly on the table. Jay Powell's message highlighted weakening jobs data (unemployment now at 4.1%) and a shift in focus from inflation risks to labour market concerns.

On the central bank front, Japan moved against the tide by increasing their base rate from a 0-0.10% range to 0.25%. With global rates generally falling, Japan's hike has led to a rally in the Yen, reversing its dramatic decline against the dollar - around 30% over 3 years. This is bad news for Japanese exporters, whose goods will become more expensive, but helpful to foreign investors. The near 5% Sterling return for the FTSE Japan last month was entirely from currency movements, with the local market remaining flat.

Government Bonds provided lower risk investors with healthy returns, as yields fell and coupon income increased. Both the UK and US 10-year yields have dipped below 4%, marking a milestone of sorts.

In the tech sector, results and forecasts varied, generating a few sharp movements in US markets. Alphabet cautioned investors that the benefits of their huge AI spend may take time to materialise. Tesla reported underwhelming revenue and plans to reduce reliance on Nvidia - even aiming to compete with them in the chip market. Meta, on the other hand, beat expectations, leading to a share price jump in after-hours trading.

More dispersion among stocks should benefit active fund managers, who can avoid the

losers and pick the winners (if they're any good). Holding a passive fund works great when the big companies in an index are doing well, but history suggests that won't last forever.

Name	1m	3m	YTD	1yr	3yr
FTSE					
Actuaries UK					
Conventional	1.75	3.86	-0.78	5.78	-23.34
Gilts All					
Stocks					
ICE BofA					
Global	2.11	4.24	2.50	7.20	-7.33
Corporate					
ICE BofA					
Global High	1.74	3.91	5.20	11.34	2.68
Yield					
FTSE All					
Share	3.13	4.39	10.79	13.54	27.10
FTSE USA	-0.34	7.10	15.21	21.77	37.51
FTSE World					
Europe ex	0.07	2.08	7.19	11.30	20.18
UK					
FTSE Japan	4.53	3.69	11.05	15.75	23.02

Name	1m	3m	YTD	1yr	3yr
FTSE Asia Pacific ex Japan	-1.19	3.23	7.76	8.03	3.78
FTSE Emerging	-0.94	2.17	8.13	7.78	4.77

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

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