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JUNE 2024 MARKET REPORT

Economic commentary

In June, we learned that consumer prices in the UK rose by 2.0% in the 12 months to May 2024, down from 2.3% in April. This news was welcomed by the Bank of England (BoE), which has now seen its 2% inflation target met for the first time since 2021. Despite this target being reached, the BoE's Monetary Policy Committee opted to maintain interest rates at 5.25% at their latest meeting on 19 June. Before cutting interest rates, they are likely to want to see more consistent inflation data, and they are wary that some inflation components are still high – such as for 'services' (as opposed to goods) which is still at 5.7%. The month ended with investors eagerly awaiting the general election in July.

Canada became the first G7 Nation (i.e. one of the seven largest advanced economies in the world) to cut its interest rates. The Bank of Canada (BoC) reduced its rate from 5% down to 4.75%. This was done in an effort to stimulate the economy, which has been struggling due to low GDP growth and high levels of unemployment. The European Central Bank (ECB) cut its interest rate by 0.25% to 3.75% in its June meeting, which is its first cut in nearly five years. The ECB, however, remained vague about future reductions in interest rates as, just like with the BoE, inflation for services still looks high.

We are still yet to see any changes to interest rates in the US. Consumer price inflation eased to a three-year low of 3.4% in May (down from 3.6% in April), and whilst the Federal Reserve signalled optimism that inflation remains on track towards their 2% goal, they want to see more data before acting.

Market commentary

June proved tough for stock markets in certain regions. In the developed world, the UK fell, along with Japan. Europe did poorly in aggregate, too, with the French market partly responsible – President Macron announced a snap election in early June, which spooked investors worried about very different potential economic outcomes. The dominant US market did well, continuing to be buoyed by returns from some of the world's largest companies – specifically those exposed to artificial intelligence.

Emerging market stocks also faced difficulties this month. Consumer confidence in China is still low; a large portion of household wealth is tied up to property, and falling prices have contributed to weak domestic demand and poor company earnings growth. This data has cast doubt on China's ability to stage a sustained recovery this year.

The bond market – which represents loans to governments and companies around the world – performed well in June for a number of reasons. Some major stock markets were volatile, which prompted investors to look to bonds as a potentially safer place to put their money. Another reason was that inflation has been slowing down, which makes it more likely that central banks will lower interest rates, which is in turn good for bonds prices.

Elections have been at the forefront of many investors' minds recently, which can create stock market instability in the months and weeks before voting. However, elections are just one of many things that affect stock markets – no matter which party is in charge, stock markets generally grow over the long term. Trying to pick the right stocks or 'time' the market usually leads to losses.

We are consistent with our strategy, which centres around identifying undervalued assets, steering clear of overly risky ones, and maintaining a long-term perspective, as we believe it will yield more favourable returns.

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	1m	3m	6m	YTD	1yr	3y pa	5y pa	10y pa
Equity Markets (£)								
UK	-0.6%	4.3%	8.0%	8.0%	13.6%	7.6%	5.7%	6.0%
US	4.3%	4.1%	16.0%	16.0%	24.6%	12.8%	14.3%	15.6%
Global	2.8%	2.6%	12.7%	12.7%	20.8%	10.0%	11.9%	12.4%
Emerging Markets	4.6%	4.9%	7.8%	7.8%	12.1%	-2.9%	2.5%	5.4%
Europe ex UK	-1.5%	0.0%	7.2%	7.2%	12.8%	6.7%	8.3%	8.5%
Japan	-0.2%	-4.5%	5.9%	5.9%	12.9%	4.9%	6.0%	8.3%
China	-2.7%	6.5%	4.9%	4.9%	-2.4%	-15.8%	-4.8%	3.9%
UK Smaller Companies	-2.3%	4.0%	4.7%	4.7%	15.7%	-3.0%	1.6%	4.5%
Bonds (£)								
Sterling Corporate Bonds	1.5%	0.2%	-0.3%	-0.3%	8.6%	-4.0%	-1.2%	1.9%
Global High Yield (Hedged)	0.4%	1.0%	1.7%	1.7%	9.1%	1.0%	2.3%	2.7%
Global Bonds (Hedged)	0.8%	-0.2%	-0.6%	-0.6%	3.2%	-3.3%	-1.0%	1.0%
Other (£)								
Global Listed Property	0.3%	-3.2%	-4.6%	-4.6%	4.3%	-2.2%	-0.7%	5.0%
UK Listed Property	-2.3%	-0.2%	-2.9%	-2.9%	16.1%	-5.4%	-1.5%	1.0%
Physical Gold	0.6%	4.9%	13.5%	13.5%	22.0%	12.8%	10.5%	8.9%

Economic Data	At date	3m ago	6m ago		1y ago	3y ago	5y ago	10y ago
Sterling/Dollar Rate	$1.26	$1.26	$1.27		$1.27	$1.38	$1.27	$1.71
Bank of England Base Rate	5.25%	5.25%	5.25%		5.00%	0.10%	0.75%	0.50%
UK CPI YoY		3.2%	4.0%		8.0%	2.5%	2.0%	1.9%
US Unemployment Rate		3.8%	3.7%		3.6%	5.9%	3.6%	6.1%
UK Unemployment Rate		4.4%	4.0%		4.3%	4.7%	3.9%	6.2%

Bond yields	At date	3m ago	6m ago		1y ago	3y ago	5y ago	10y ago
UK 10-Year Gilt Yield	4.2%	3.9%	3.6%		4.4%	0.7%	0.8%	2.7%
UK Corporate Bond Yield	5.6%	5.3%	5.1%		6.6%	1.7%	2.4%	3.8%

Data Sources: Data is at 28/06/2024. For the above asset class return data, we used passive funds to represent market returns, given that they represent an investible net-of-fee return achievable by an end client. Economic figures like unemployment and CPI rates may not have been available for latest month-end at the time of publication. All returns have been calculated by Fundhouse, with reference to data from Refinitiv, Morningstar and the Bank of England. This content cannot be distributed without the consent of Fundhouse.

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