



Weekly Investment Update

19th July 2024

News Headlines

US Presidential Election – There have been a number of significant developments in the US Presidential election over the last week. On Saturday, an assassination attempt was made on former President Donald Trump during a campaign rally in Pennsylvania. Trump was not seriously injured; however, he was grazed by a bullet that caused bleeding in his right ear. In addition to Trump's injury, one member of the crowd was killed, and another was critically injured. Following the assassination attempt, Trump's odds of winning the 2024 presidential election significantly increased, with the probability of his victory soaring to an all-time high. The Russell 2000 index (US Small Caps) also rallied in response, with investors predicting a Trump win will have a favourable impact on business and market-friendly policies. Meanwhile, several prominent Democrats have called for President Joe Biden to step down as the party's nominee. Criticisms focus on Biden's age, mental sharpness, and his debate performance. Amid this pressure, discussions have increased around Vice President Kamala Harris potentially becoming the nominee, with polls showing significant support for her. Some sources report that Joe Biden may step down as soon as this weekend.

UK CPI Inflation – On Wednesday, the Office for National Statistics (ONS) released the latest Consumer Price Index (CPI) data for the UK. In the 12 months to June, CPI remained steady at 2%, contrary to the expectations of many economists who had predicted a slight decrease to 1.9%. This reflects ongoing pressures in the services sector, where inflation held firm at 5.7%. As a result, investors have scaled back their expectations of an interest rate cut by the Bank of England in August.

ECB Rate Decision – On Thursday, the European Central Bank (ECB) decided to keep its key interest rates unchanged at 3.75%. This decision was in line with market expectations, and ECB President Christine Lagarde emphasised that future decisions would remain data-dependent and evaluated on a meeting-by-meeting basis. She also downplayed the recent stickiness of inflation, attributing it to one-off factors, and left the door open for potential rate cuts in September.

Market Summary

Global Equities – It has been a tough week for equity markets as all major indices have experienced losses, with the most notable declines coming from Asia and the US. In the US, the S&P 500 index ended a 52-week consecutive run without a -1% daily decline, and the NASDAQ 100 index saw its worst daily performance since December 2022 on Wednesday. These declines were largely driven by the technology sector, especially chipmakers, as it has been widely reported that Joe Biden is looking to implement significant trade restrictions on China. This had a knock-on effect on other markets, particularly in Asia, with both the Japanese Nikkei 225 and Hong Kong Hang Seng indices seeing large declines for the week as of Thursday's close.

Commodities – This week, gold prices hit a new record high on Wednesday, surpassing \$2,470 per ounce. This was driven by increased optimism of interest rate cuts in the US, following soft inflation data and dovish comments from the Federal Reserve. Additionally, safe haven demand increased following reports of US trade restrictions on China. However, this also resulted in copper prices declining significantly.

Fixed Income – Global bond returns remained flat throughout the week. Treasury yields in the US fell midweek (meaning prices rose), with the 10-year and 2-year Treasury yields hitting 4-month and 5-month lows, respectively. Comments from a Federal Reserve Governor, suggesting that inflation will continue to move down towards the 2% target, prompted the moves.

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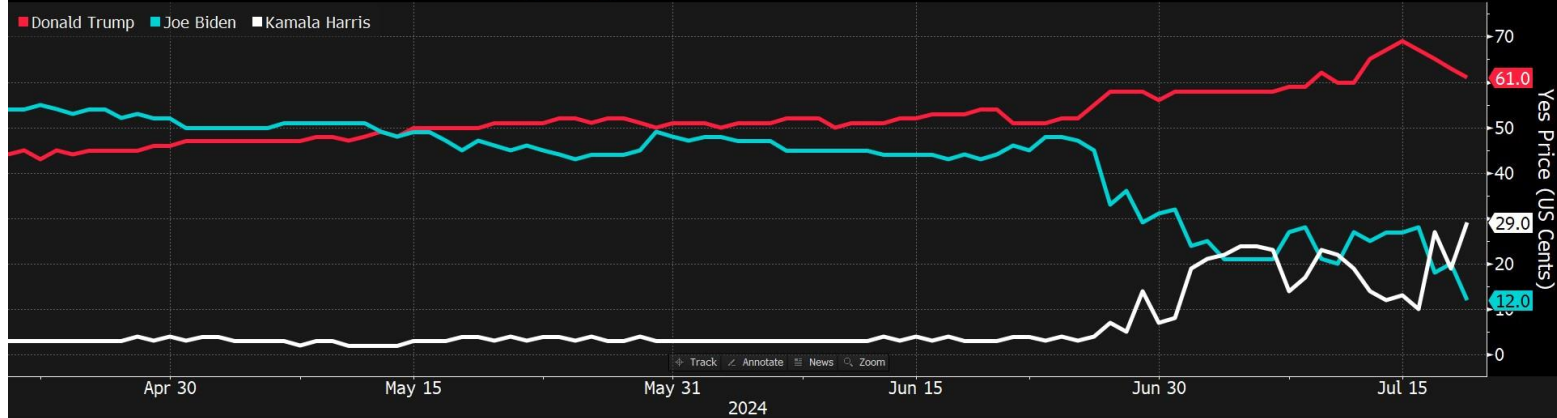
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Chart of the Week

2024 Presidential Race Odds

Biden's chances of staying in race sink to new lows



Source: Bloomberg – 2024 Presidential Race Odds

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
-	-	- Bank of Canada Rate Decision	- US GDP (Q2)	- Core PCE Price Index y, mm

Market Performance – 19/07/2024

Global Market Indices	2024 YTD %*
FTSE 100	8.40%
S&P 500	17.13%
STOXX 600	10.15%
Nikkei 225	20.94%
Hang Seng	7.71%
Fixed Income	Yield %
UK 10 Yr Gilt	4.06%
US 10 Yr Treasury	4.19%
Commodities	2024 YTD %
Gold	18.39%
Currency	
GBP/USD	1.29 (19/07/2024)
GBP/EUR	1.19 (19/07/2024)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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