



Weekly Investment Update

26th July 2024

News Headlines

Joe Biden – After several weeks of pressure from Democrats and party donors, US President Joe Biden abandoned his re-election bid and endorsed current Vice President Kamala Harris. Fears rose over Biden's health and his ability to continue to run the country while contesting former president Donald Trump in the next election in November. Democratic Party donors have since donated large amounts to Harris' campaign bid in which she is a clear favourite. Attention now turns to who Harris will choose to join her in her campaign.

Earnings Disappoint – This week saw a slew of disappointing corporate earnings across Europe and the US, increasing concerns that the current rally in equities may have hit a stumbling block. Many large companies in Europe, covering consumer staples to luxury goods failed to beat earnings estimates, prompting large drops in stock prices. In the US, a disappointing earnings report for Alphabet (Google) prompted a large sell-off in technology stocks which have benefited greatly from the Artificial Intelligence rally of late.

Economic Data – Economic data across some key economies looks to be deteriorating somewhat, with a fresh batch of underwhelming data coming out of the Euro Area this week. Euro Area composite Purchasing Managers index (PMI), which tracks activity within both service and manufacturing sectors, came in just above expansionary territory (above 50) at 50.1 in July, while Germany's composite PMI figure underwhelmed, coming in in contraction territory at 48.7. In the US, new homes sales fell to their lowest levels in 7 months, although gross domestic product (GDP) showed an annualised growth of 2.8% in the second quarter versus an expected rate of 2%. The UK's composite PMI figures surprised to the upside, coming in at 52.7 versus the 52.6 expected.

Market Summary

Global Equities – A risk-off tone dominated global equity markets this week. Disappointing corporate earnings and weak data hit investor sentiment. In the US, the "Magnificent 7" stocks had their worst day since September 2022 on Wednesday, collectively falling over -10% from record highs set just two weeks ago. The S&P 500 index saw its biggest fall since December 2022, with its first -2% decline since early 2023. Asian equities also suffered declines, with Japanese equities falling sharply driven by the risk-off tone and growing expectations that the Bank of Japan may raise interest rates next week. In the UK, the FTSE 100 index held up well, providing a slightly positive return for the week as at Thursday's close.

Commodities – Commodity prices generally saw declines for the week as at Thursday's close. Gold prices fell to a two-week low versus the US dollar, while silver declined sharply. Key economic bellwether, copper, dropped below \$9,000 US dollars per tonne for the first time since April on rising pessimism about the outlook for demand in China.

Fixed Income – Over in the US, the 2-10 year Treasury yield curve moved to its steepest level since July 2022, the month which saw the first inversion (inversion of these yields usually signals a recession in the future), after investors priced in a US Federal Reserve rate cut for September.

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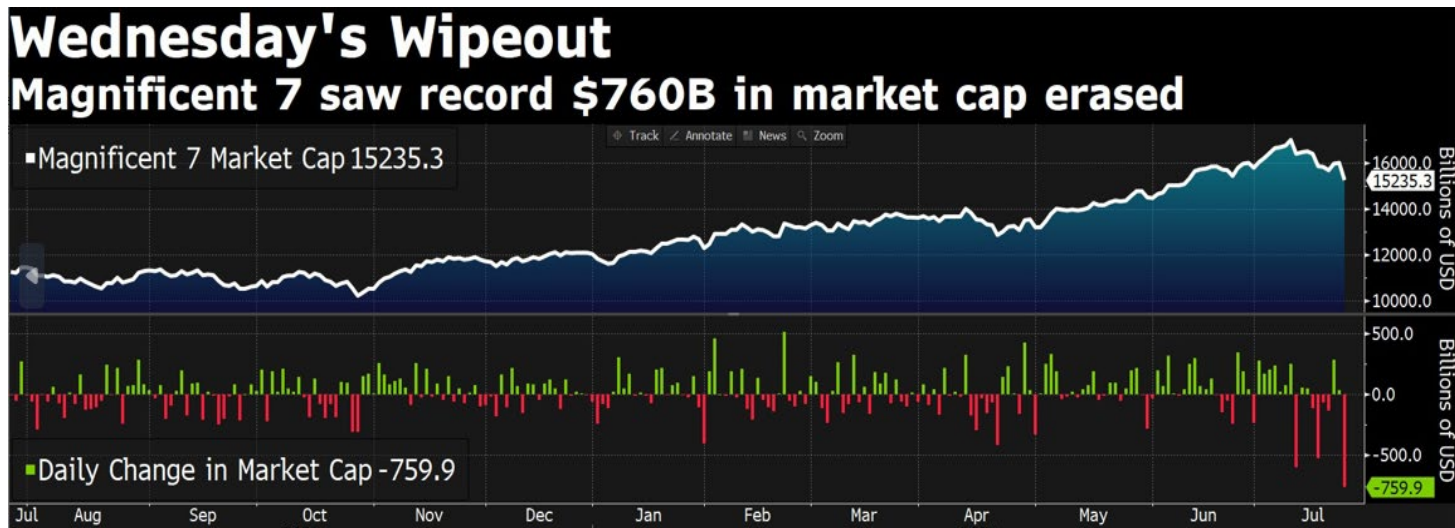
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Chart of the Week



Source: Bloomberg – Technology stocks saw large losses on Wednesday

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
-	- Japan unemployment - US consumer confidence	- US FOMC interest rate announcement - China manufacturing PMI	- Bank of England interest rate decision - US manufacturing PMI	- US unemployment rate

Market Performance – 26/07/2024

Global Market Indices	2024 YTD %*
FTSE 100	8.18%
S&P 500	14.07%
STOXX 600	9.03%
Nikkei 225	14.14%
Hang Seng	3.02%
Fixed Income	Yield %
UK 10 Yr Gilt	4.15%
US 10 Yr Treasury	4.24%
Commodities	2024 YTD %
Gold	14.37%
Currency	
GBP/USD	1.29 (26/07/2024)
GBP/EUR	1.18 (26/07/2024)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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