June 2024 quarter end review update

The table details the quarterly data for the FTSE All-Share Index.

Quarter	Open	Close	High	Low	Return year to date
January – March	4232	4338	4338	4072	2.50%
April - June	4338	4451	4596	4260	5.17%

As the table shows, perhaps the exuberance prevalent at the start of the year has modified, despite the UK achieving their inflation target of 2% for the first time since 2017. The BoE kept rates on hold at their June meeting, as was expected, because the core inflation rate remains above the benchmark at 3.5%. This is the key measure that all central banks look to when deciding interest rate policy, and it is for this reason that the USA has not cut interest rates along with the UK. The expectation is that neither region is likely to make their first rate cut until the end of the Summer. The exception was the ECB, who announced their first rate cut at their June meeting.

Whilst no one expects interest rates to return to the low levels post the financial crisis, the difficult adjustment being made by many countries reliant on consumer spending is that interest rates going forward will be higher than those low levels that we all benefited from for over a decade. Interestingly, if you take the last 50 years to 2023, the average BoE interest rate was 9.1%. Clearly this was greatly influenced by high inflation in the 70's and 80's but it is perhaps the flipside of the same coin of near zero interest rates.

The USA continues to defy all expectations, given the strong underlying growth. However, this is starting to show signs of slowing, albeit the "tech" sector remains buoyant due to the expectations and impact of AI. Recently we saw Nvidia exceeding $3.2 trillion, making it the world's largest company by value.

Geopolitical events remain in the background and can have an enormous influence on the global economy because of the direction governments may choose to take. Underlying this, particularly for Western economies, is that they are all suffering from decades of under investment in the building blocks for economic growth, such as infrastructure and health care, etc. Consequently, whoever the new governments are, they will be faced with the need to address these fundamental issues which should be positive for economic growth.

The table sets out our current asset allocation views.

Underweight	Neutral	Overweight
	Government Gilts Index-linked Gilts: Global High Yield Bonds (for income)	
	Investment-Grade Bonds Equities: US, China, Far East, Emerging Markets, Japan	Equities (large cap): UK, Europe, Asia
	Equities (small cap): UK, US, Europe	Specialist Equities (including global equities)
Property (bricks & mortar)	Commodities	
Gold	Global property shares	

*Neutral means that, while we support the asset class, we do not generally want to adopt an overweight position.

1st July 2024