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Monthly Review and Outlook

June 2024

Review

- **Global equities (shares) had varied performances** in June. Emerging markets rose more strongly than the US market while UK and European equities fell.
- **The oil price rose** by 6.3 percent, which reversed last month's 6.3 percent fall.
- **Global corporate bond prices rose** as investors lowered their expectations for inflation.

Company shares

- **UK equities fell.** Healthcare companies and materials companies involved in the discovery, development and processing of raw materials performed particularly weakly overall. But technology companies and utilities companies (which provide everyday amenities such as water, gas and electricity) generally performed positively.
- **US shares rose** and information technology companies often led the way. Utilities and materials companies generally performed relatively poorly.
- **Eurozone equities fell** as uncertainty rose after President Emmanuel Macron made his surprise announcement on French parliamentary elections.
- **Japanese stocks rose** in yen terms and the index of the largest Japanese companies almost reached its highest level since 1990.
- **Asian equities (excluding Japan) rose** as investor optimism for companies expected to gain from the expansion of artificial intelligence (AI) drove Taiwanese shares higher. Indian stock market indices reached record highs driven by general rises in media and banking companies.
- **Emerging market equities rose** and performed more strongly than developed market peers. Technology related companies drove the Taiwan and South Korea stock markets upwards, while investors welcomed political developments in South Africa and India.

Bonds

- **US government bond prices rose** as investors anticipate a US rate cut, despite weaker economic data. Bond prices often go up when interest rates are expected to fall.
- **Global bond prices generally rose** as investors expected inflation to fall: lower inflation could help bring interest rates down. Government bonds performed more strongly than high-quality (investment grade) corporate bonds as companies issued a large number of new bonds on to the market. Riskier (high yield) corporate bonds rose even more strongly.

Commodities

The Bloomberg Commodity index, a benchmark for investment in global commodities, fell slightly as gains in energy related commodities were outweighed by general falls in industrial and precious metals.

Outlook

We stick with our positive views on equities, as we believe the backdrop for company earnings is favourable. We maintain our cautious stance on corporate bonds and note that the prices of riskier European corporate bonds have risen relative to government bonds. Our neutral stance on government bonds extends to German government bonds, despite the 0.25 percentage point rate cut by the European Central Bank (ECB) in June. This is because eurozone inflation rose in May, which limits the scope for further ECB rate cuts.

Asset overview

Our general view of assets in the coming months is summarised as follows. These are our in-house views as at the end of June 2024.

Equities	● (green)	We retain our positive stance and believe companies could still have scope to grow their earnings.
Government bonds	● (amber)	We adhere to a neutral viewpoint despite expected interest rate cuts, as we consider valuations to be fair.
Corporate bonds	● (red)	Prices of high-quality and riskier US bonds rose slightly and we estimate their valuations to be quite high.
Commodities	● (amber)	Recent data leads us to question the strength of global manufacturing, and manufacturers are significant consumers of some commodities. Moreover the attractions of industrial metals have reduced given recent price rises.

	Legend
● (green)	Positive outlook
● (red)	Negative outlook
● (amber)	Neutral outlook

Source: Schroder Investment Management and Schroders Personal Wealth, 4 July 2024

Important information