

MMWealth

Chartered Financial Planners



40 YEARS IN BUSINESS
1984 - 2024

Market Update – August 2024



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Q2 Outlook

- New scenarios suggest more risk and volatility in inflation and asset markets.
- The risk of war needs to be considered in strategies, affecting short term decision making. But how?
- Commodity price rises could signal an industrial revival. Shares of major commodity producers seem sensibly priced.
- Gold continues to rise...whatever the reason for it, it doesn't feel 'asset market positive'.
- Challenging outlook for all EV (electric vehicle) manufacturers as competition and new supply grow faster than demand.



Q2 Market Drivers



A.I. performance

- As in the first quarter, chipmaker Nvidia led the way. The AI giant gained 36.74% and is now up 200% over the past year.



Inflation uncertainty

- A series of hotter-than-expected inflation readings in April sent stocks and bonds lower before regaining their footing in June.



US economic data cools

- GDP growth expectations lower; lower monthly headline CPI and negative PPI; employment picture mostly weaker, but real wages still growing.



Chinese trade war

- New +25% EU tariffs on Chinese EV's.



Europe turns right

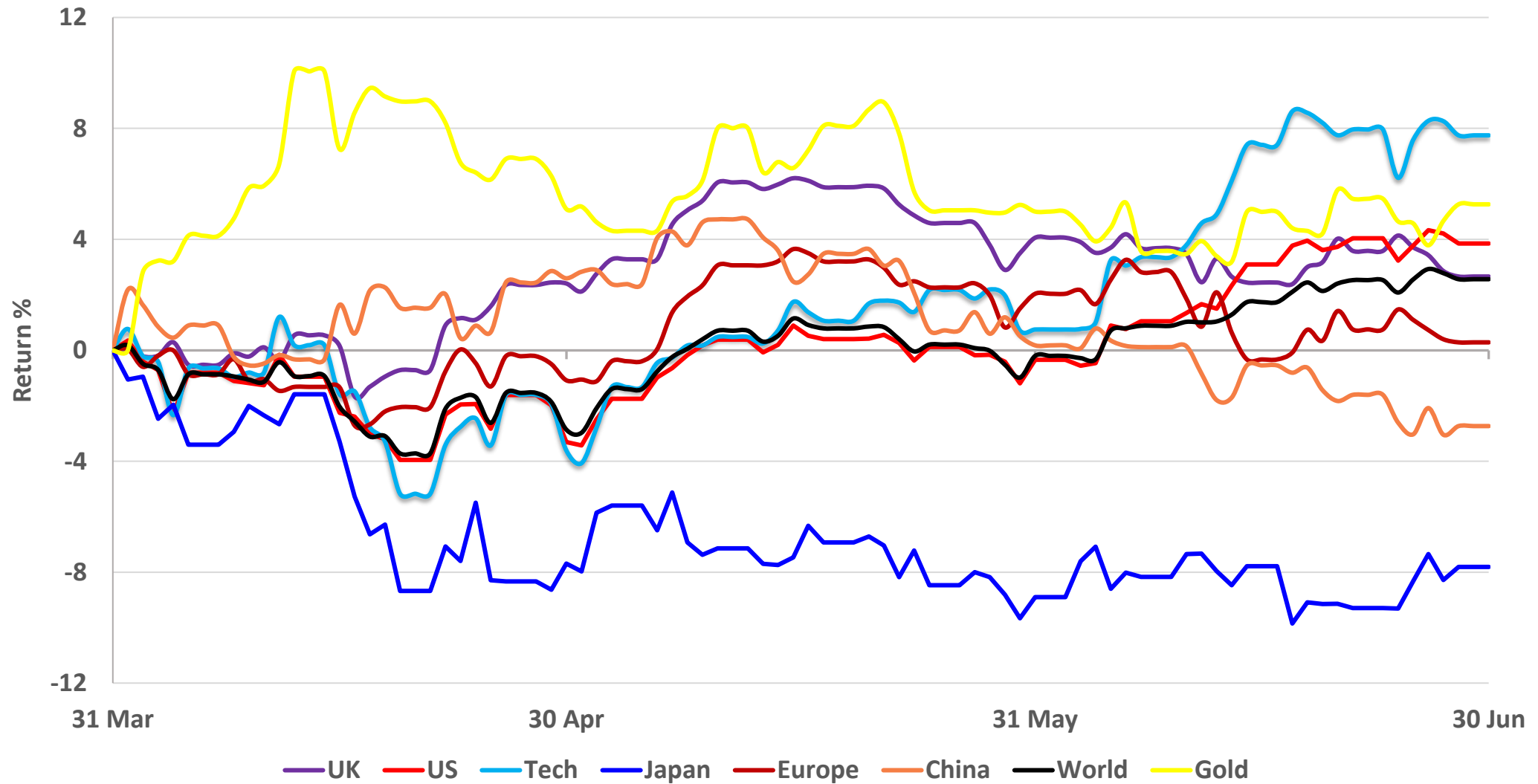
- Populist right-wing parties dominate in EU elections, French parliamentary election called, and their stock market hates it!








New UK leadership

- Labour Party wins supermajority in UK elections at start of July.

Q2 Market Performance in GBP



Q2 Stock sector performance

		Performance (%)		
		Q2 2024	Q1 2024	1 Year
	 Cyclical			
	Basic Materials	-5.88	8.06	7.35
	Consumer Cyclical	-1.20	4.09	10.13
	Financial Services	-1.74	12.23	26.19
	Real Estate	-1.74	-0.70	5.30
	 Sensitive			
	Communication Services	9.16	14.80	43.45
	Energy	-2.19	13.25	16.49
	Industrials	-3.41	10.94	15.77
	Technology	11.40	13.07	40.41
 Defensive				
	Consumer Defensive	1.11	7.52	9.02
	Healthcare	-1.02	8.36	10.59
	Utilities	4.48	4.94	8.09

Q2 Equity style performance

Q2 2024				Q1 2024				1Y			
	Value	Blend	Growth		Value	Blend	Growth		Value	Blend	Growth
Large	-0.59	2.00	4.73	Large	8.89	12.04	9.59	Large	15.5	24.93	27.45
Mid	-3.05	-2.61	-4.23	Mid	8.19	7.79	10.56	Mid	14.99	9.87	13.65
Small	-5.17	-4.16	-1.57	Small	4.64	7.13	5.29	Small	10.85	10.81	10.97

Growth stocks: companies perceived to have the potential to outperform the overall.

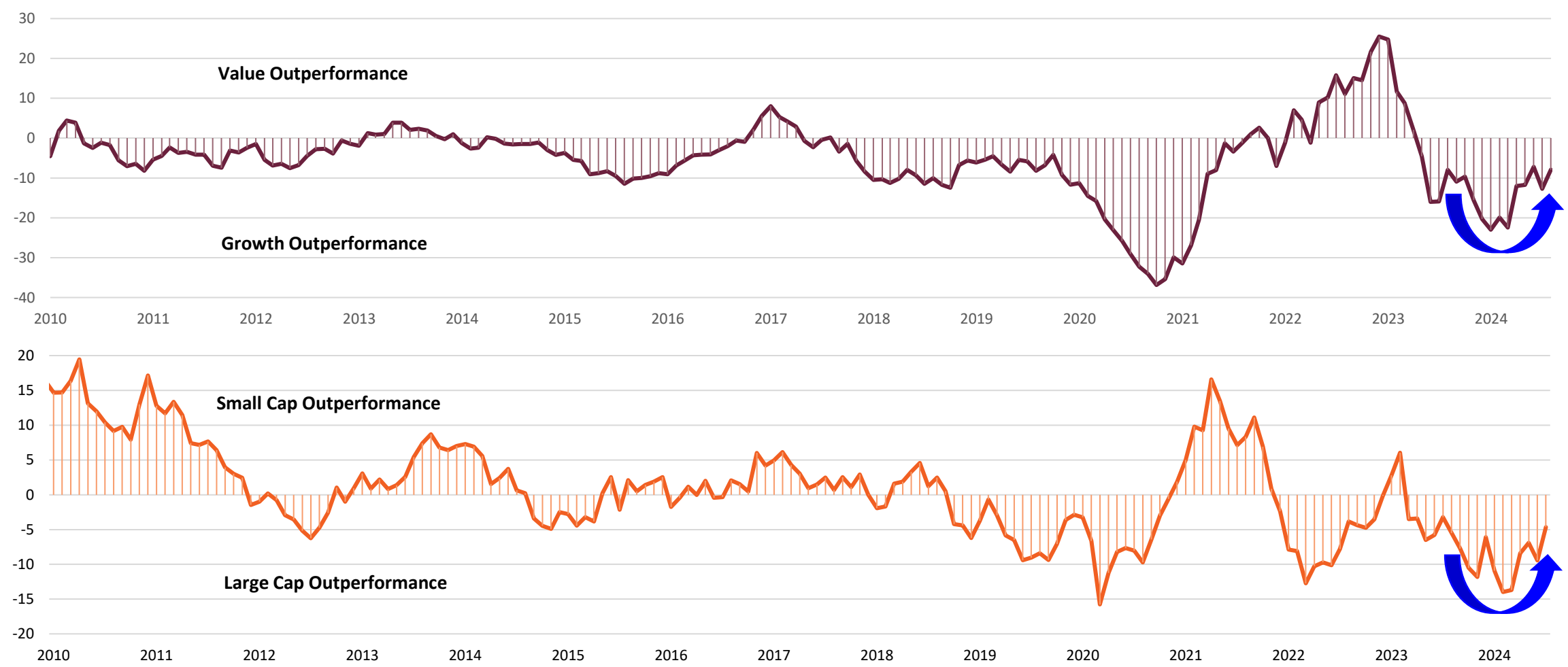
E.g. companies with superior revenue and earnings growth that can drive a larger increase in share price over time – Magnificent 7 in Technology, Consumer Cyclical, Communication Services.

Value stocks: companies perceived to be trading below their intrinsic or ‘real’ value.

E.g. companies or sectors that are temporarily undervalued by the market, perhaps because of lower recent profits, bad press, or the sector is simply out of favour – Barclays, AstraZeneca in Financials, Healthcare, Energy, Consumer Staples.

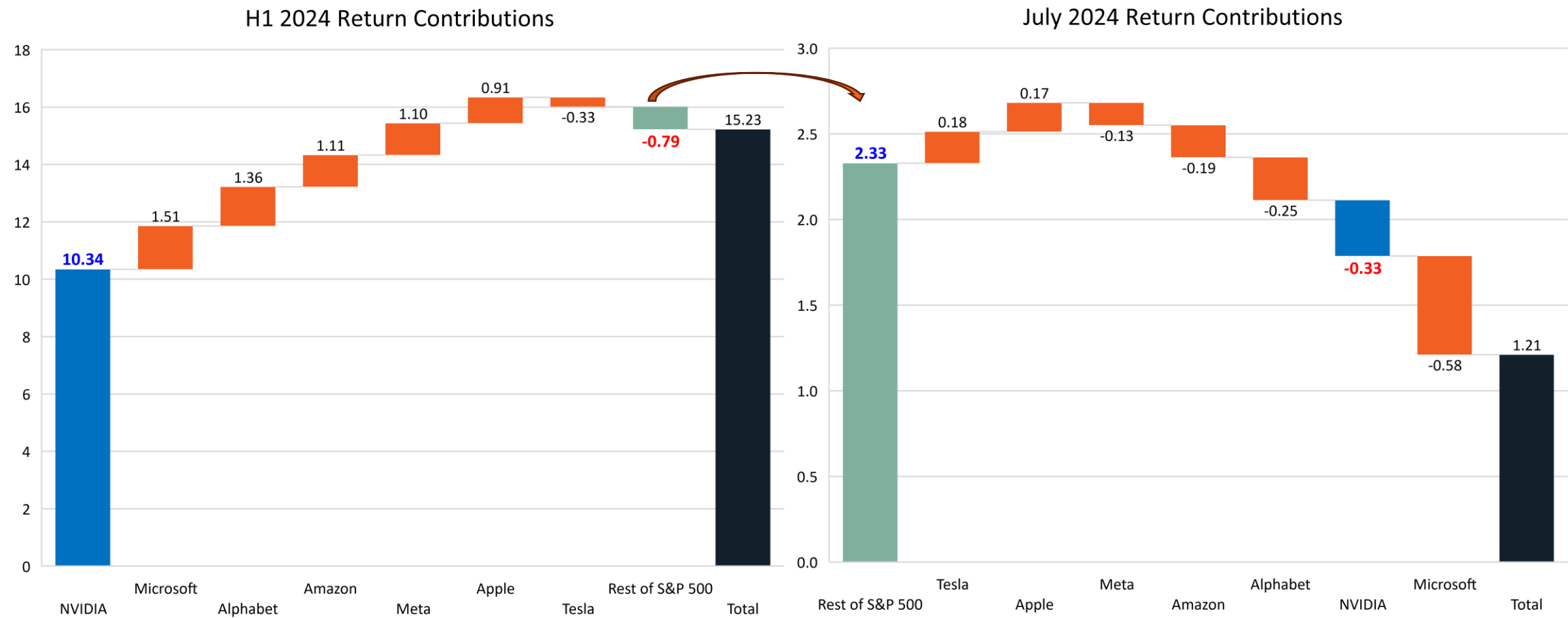
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Factor rotation

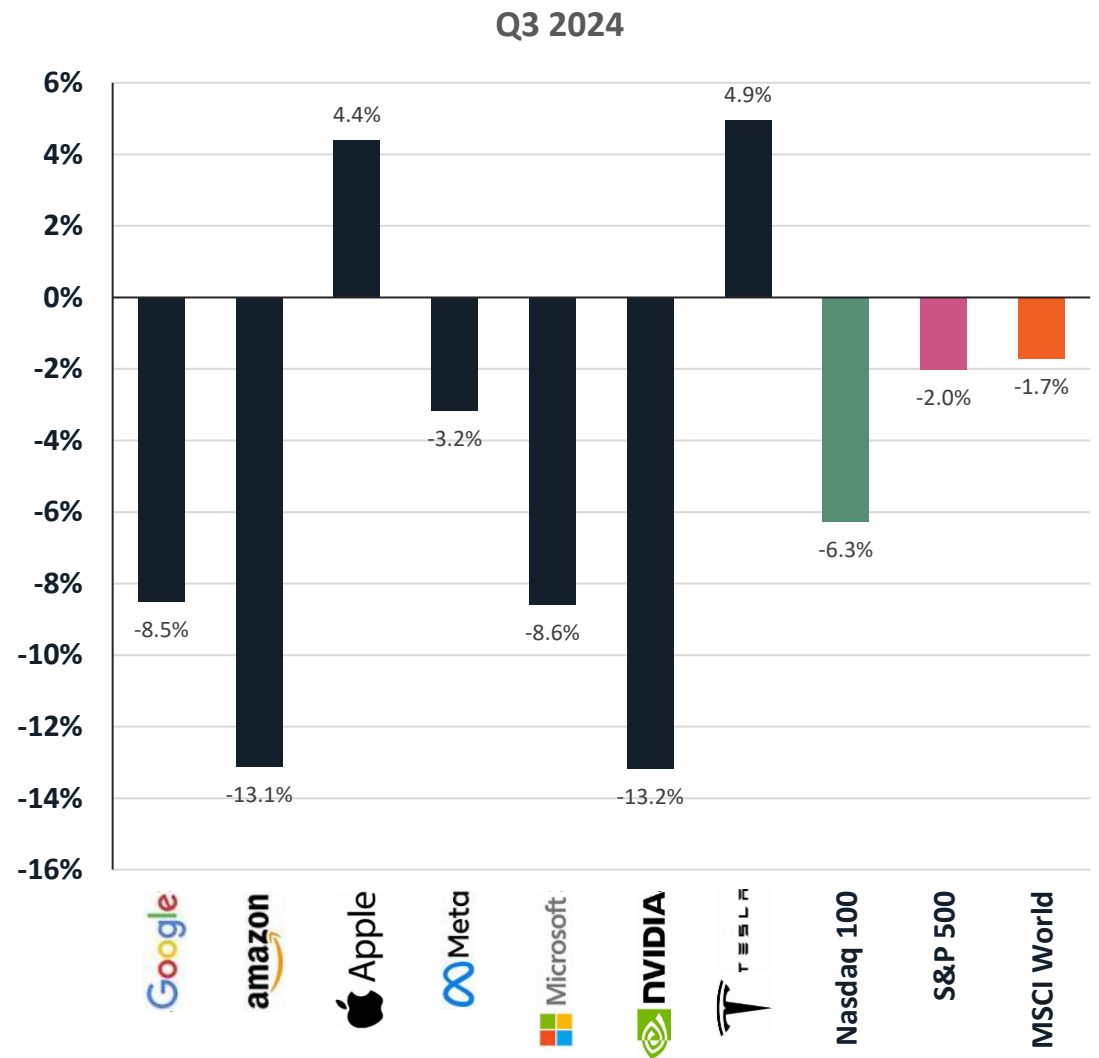
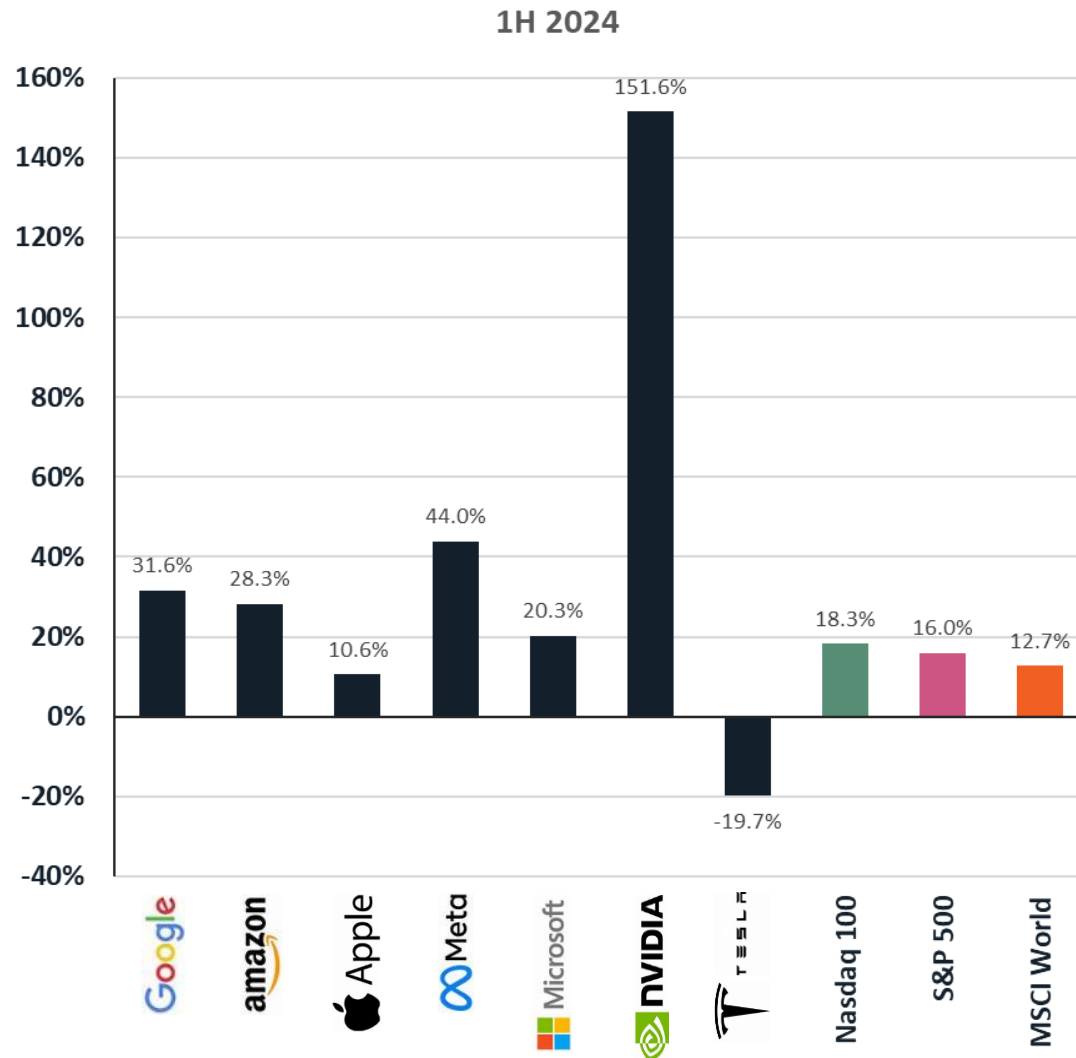


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Magnificent 7's influence



Magnificent no more?



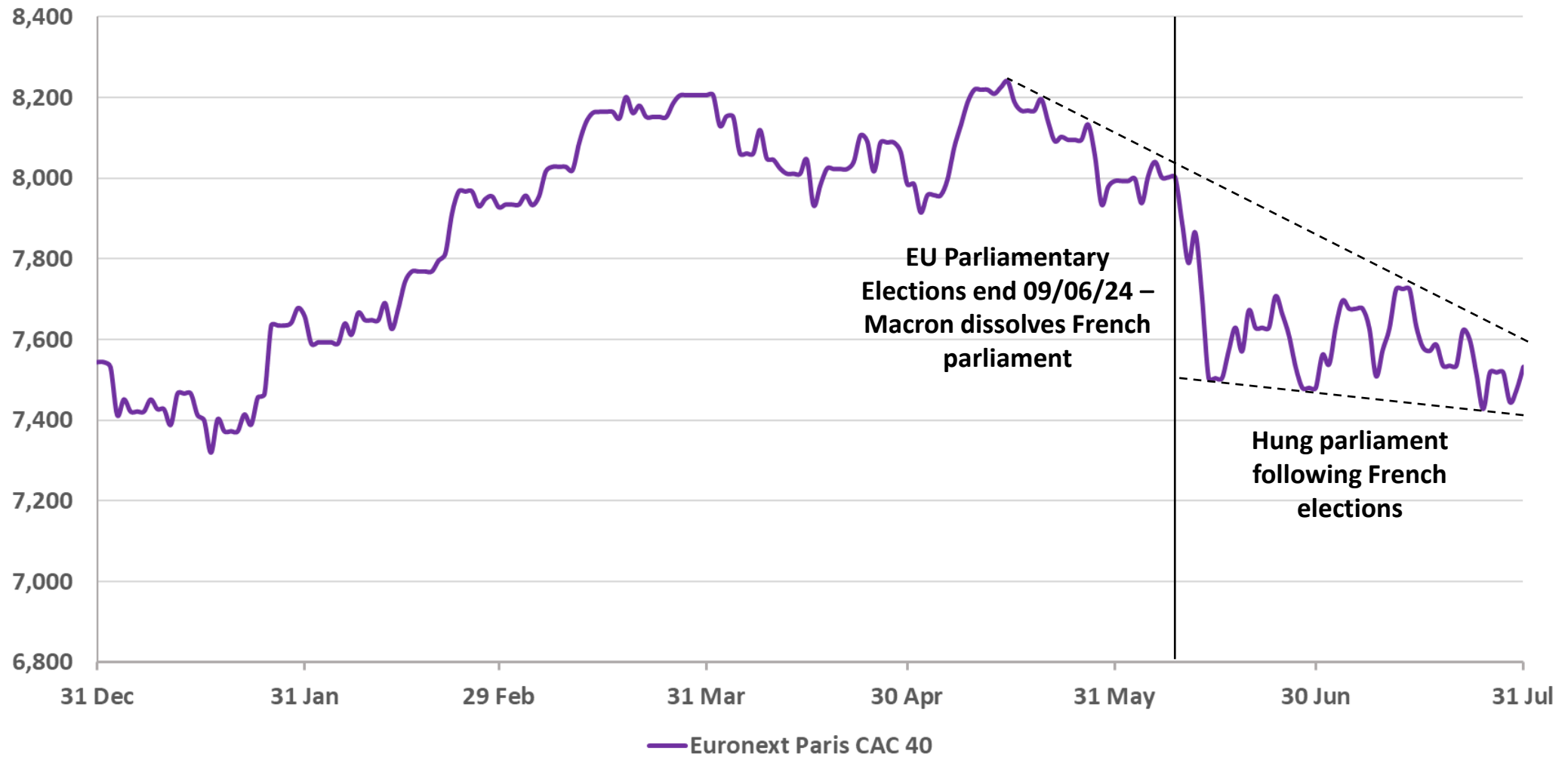
Europe lurches to the Right

- Centre-right and far-right parties led the way in EU elections in Germany, France, Italy, Spain and Poland.
- France led the rightward swing with such a crushing victory for the far-right National Rally, that liberal President Emmanuel Macron dissolved France's parliament and called an early election.
- Early signs showed a resounding lead for National Rally, before tactical voting gave a left-wing New Popular Front alliance the victory – but no majority.
- In Germany, the centre-right cruised to a comfortable victory; in Italy Georgia Meloni's right-wing party which descends from fascist origins, has been a positive force – so far.
- For a Continent that has sought to exorcise the ghosts of fascism for eight decades, the scale of the presence of far-right will be one of the hottest topics of conversation.



“It took us a long time to get rid of the effects of the French Revolution 200 years ago. We don’t want another one.”

A bad time for La Bourse



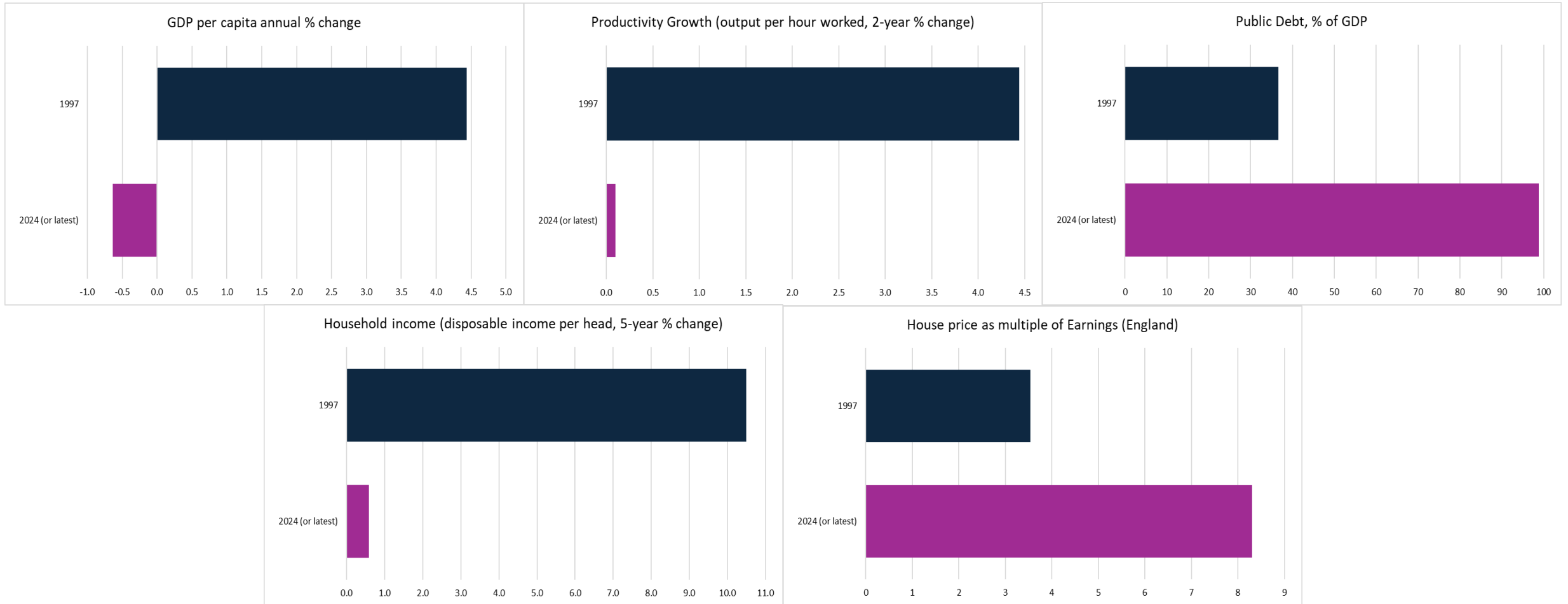
But the UK swings to the (centre) Left

- The Labour Party staged a staggering victory in the summer election called by Rishi Sunak, winning 412 seats of 614, and a 174 majority.
- Does this suggest political stability compared to the last few years of the 14 years under Conservative leadership?
- How will the world view this change?
- Can UK markets make up for lost ground and lost time?



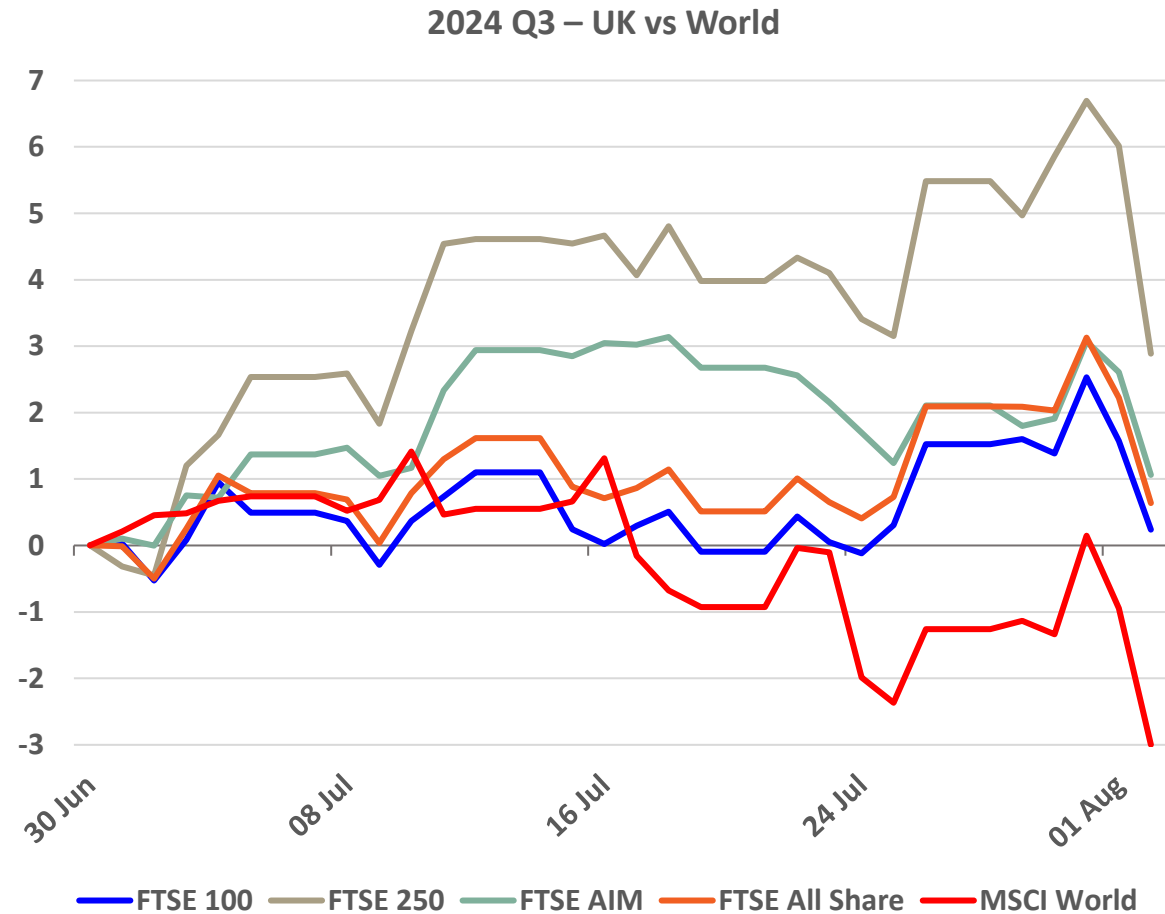
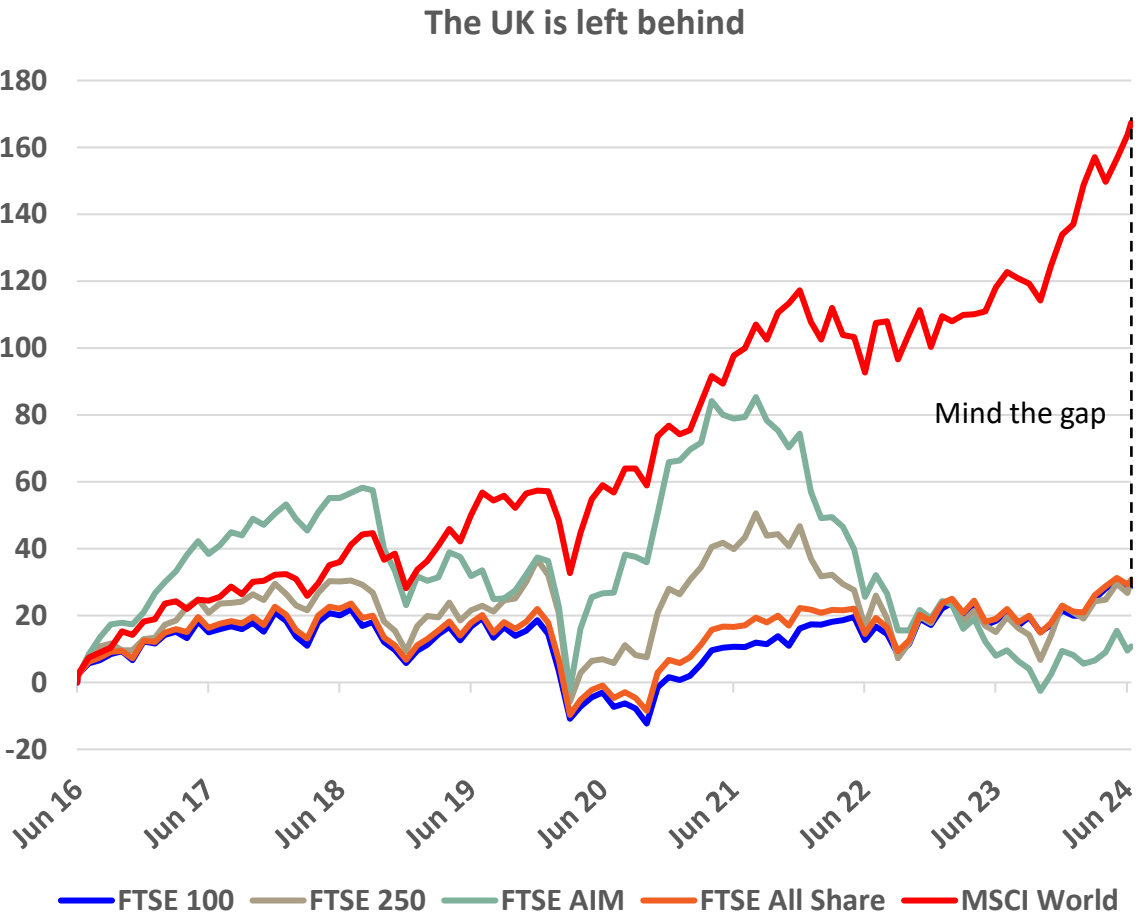
“14 years ago, our Party was written off as history. This year we made it. Let our first thanks be to the British people. You kept faith with us. And we will keep faith with you.”

Starmer's inheritance isn't quite as attractive as Blair's



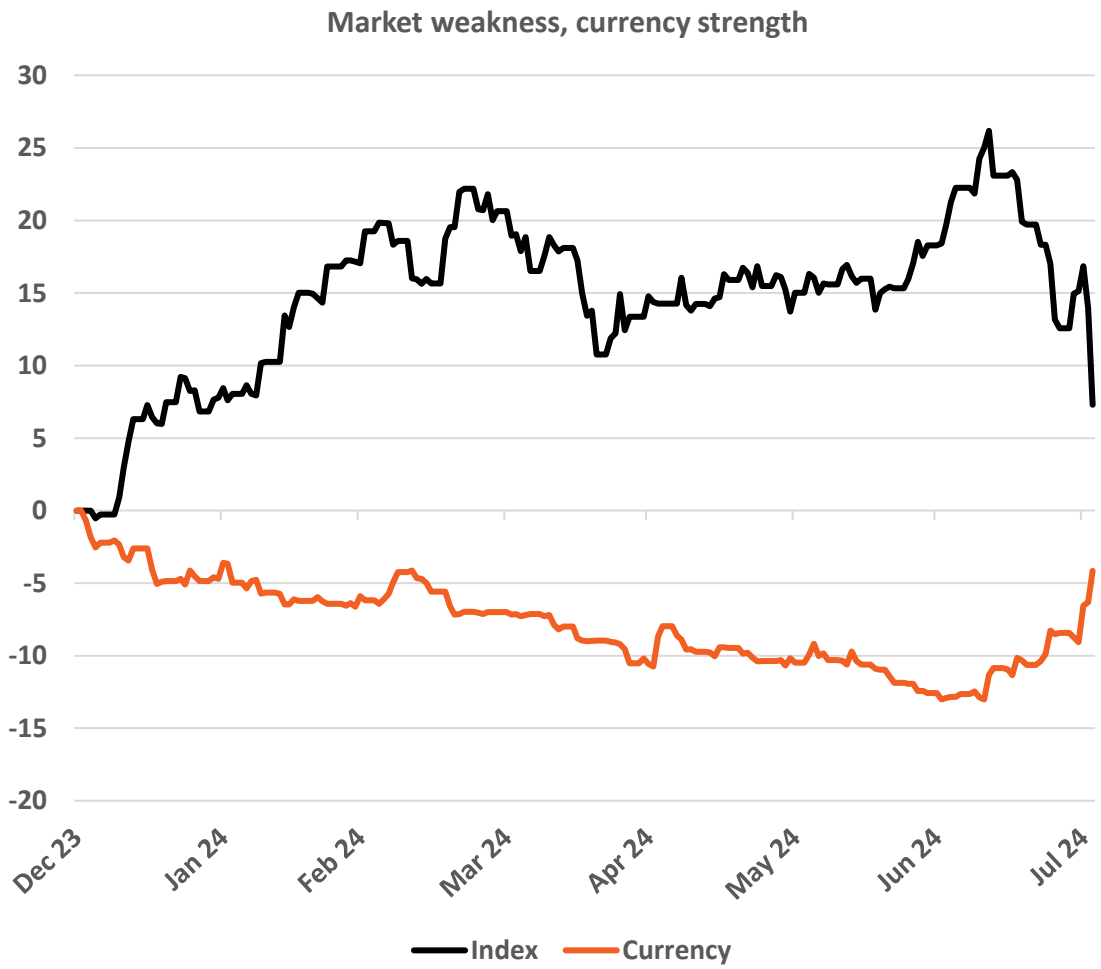
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UK recovery?



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Japan - 35 years later



MM Wealth Outlook



Q3 starts with a bang!

Trump 'shot' at rally



**Bloodied but unbowed,
ex-president survives
assassination bid**

**Trump injured in incident at
Pennsylvania rally**

**Invincible
Trump?**

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A fizzle

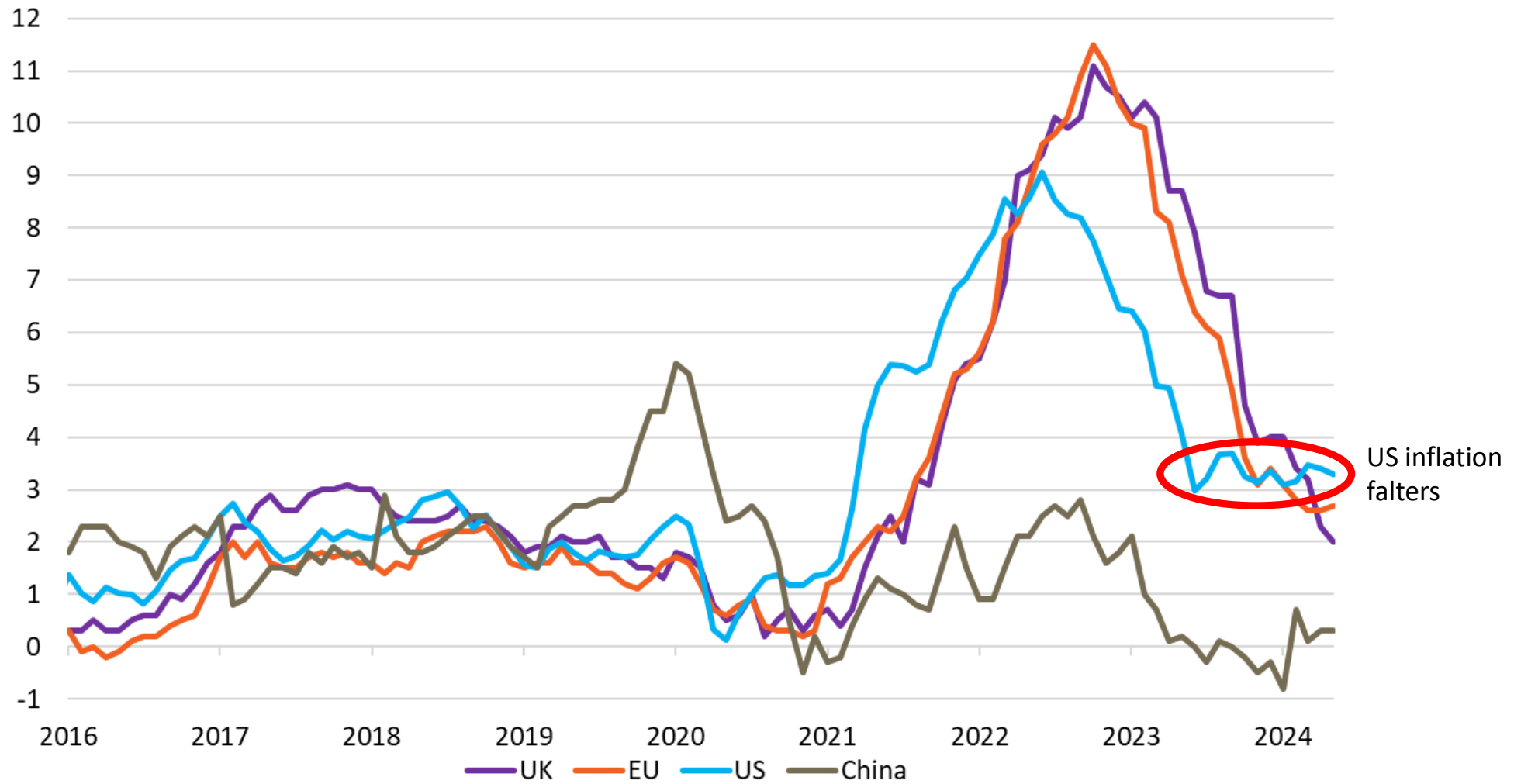


And a medal haul



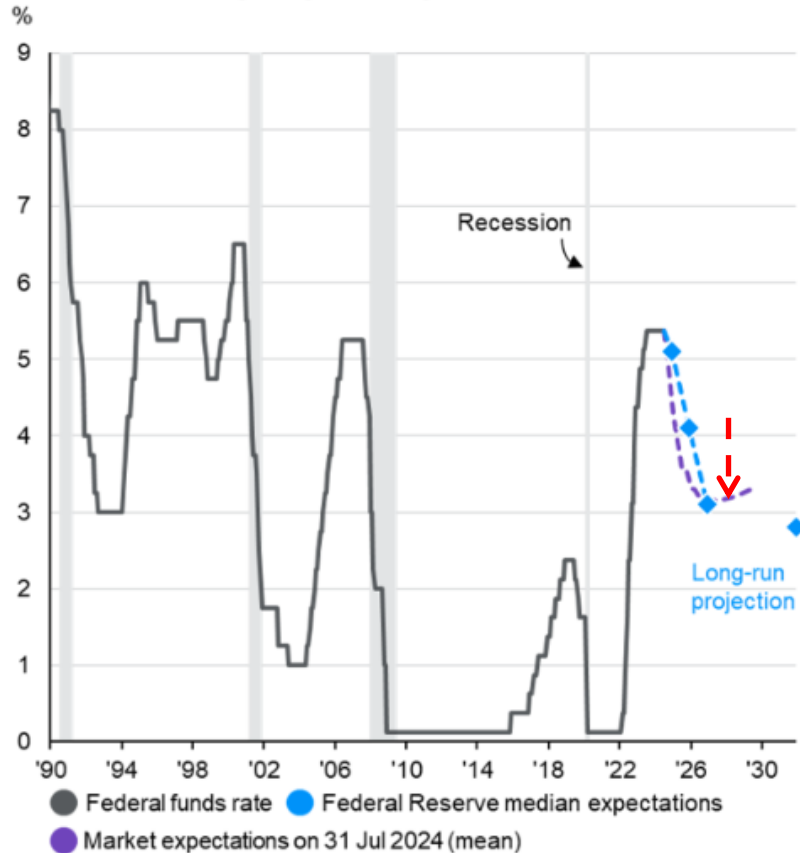
Rank	Country	Gold	Silver	Bronze	Total
1	Unites States	21	30	28	79
2	China	21	18	14	53
3	France	13	16	19	48
4	Australia	13	12	8	33
5	Great Britain	12	13	17	42
6	Republic of Korea	11	8	7	26
7	Japan	10	5	11	26
8	Italy	9	10	6	25
9	Germany	8	5	4	17
10	Netherlands	7	5	6	18

But inflation continues to cool

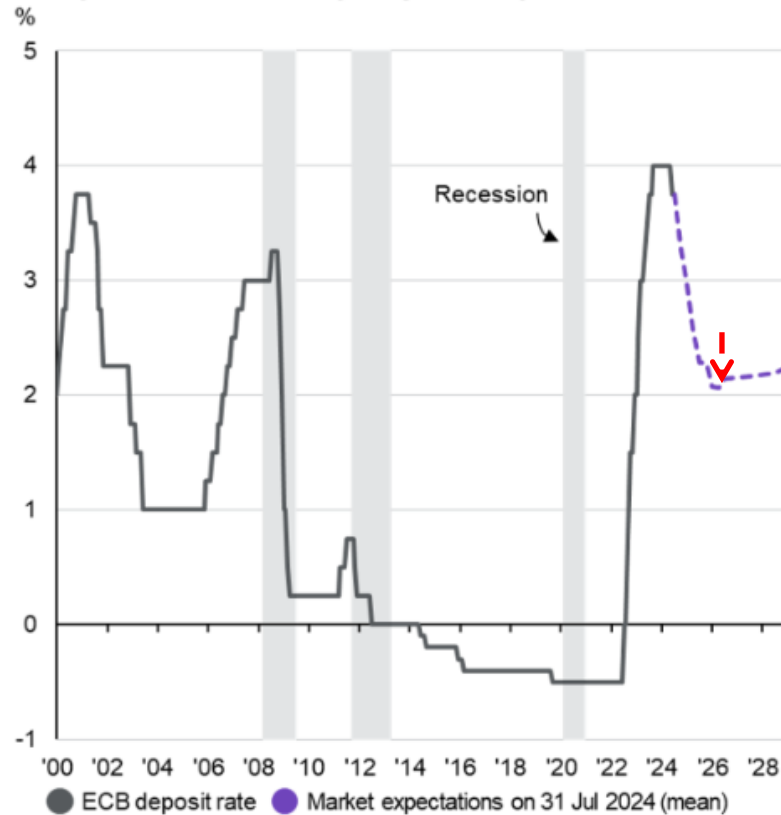


Interest rate expectations

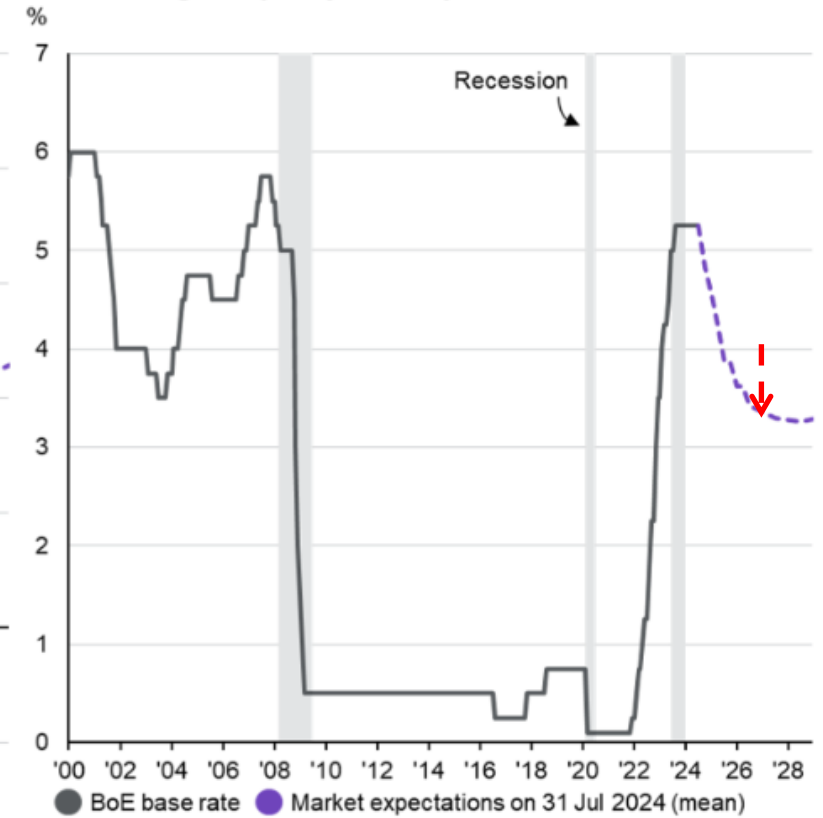
Federal Reserve policy rate expectations



European Central Bank policy rate expectations

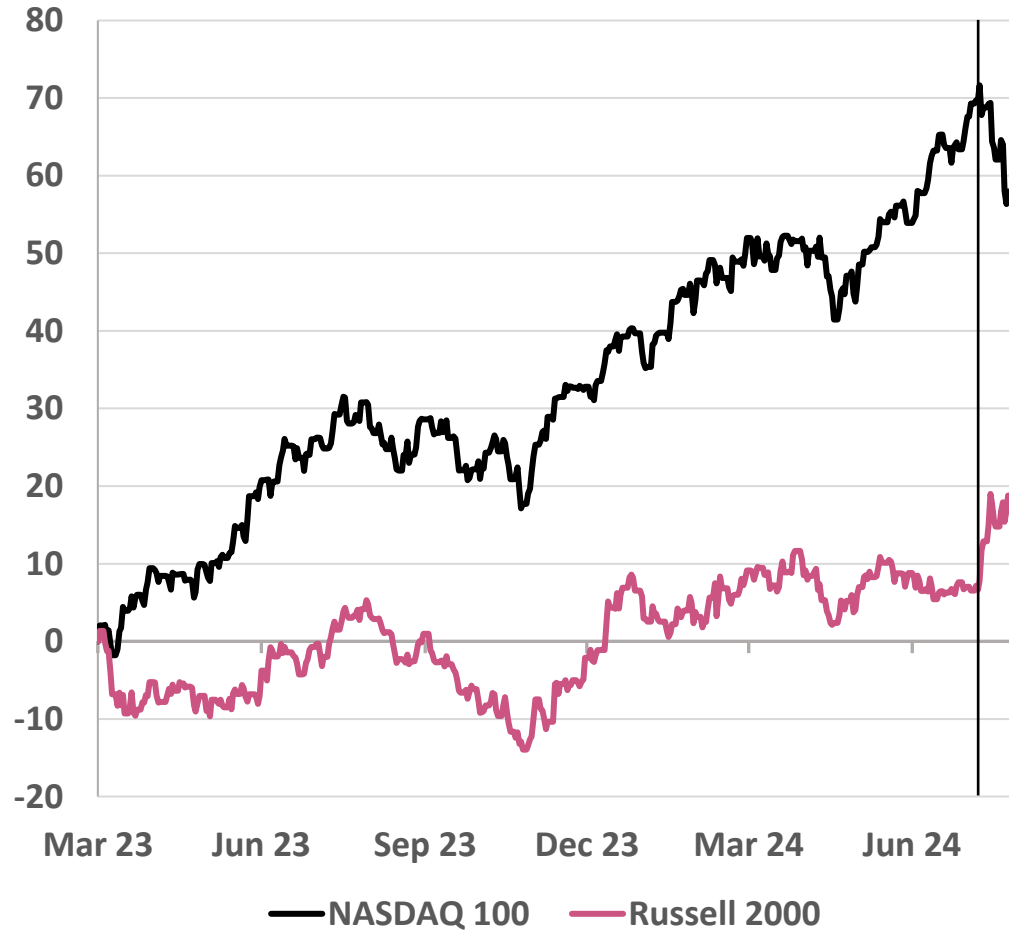


Bank of England policy rate expectations

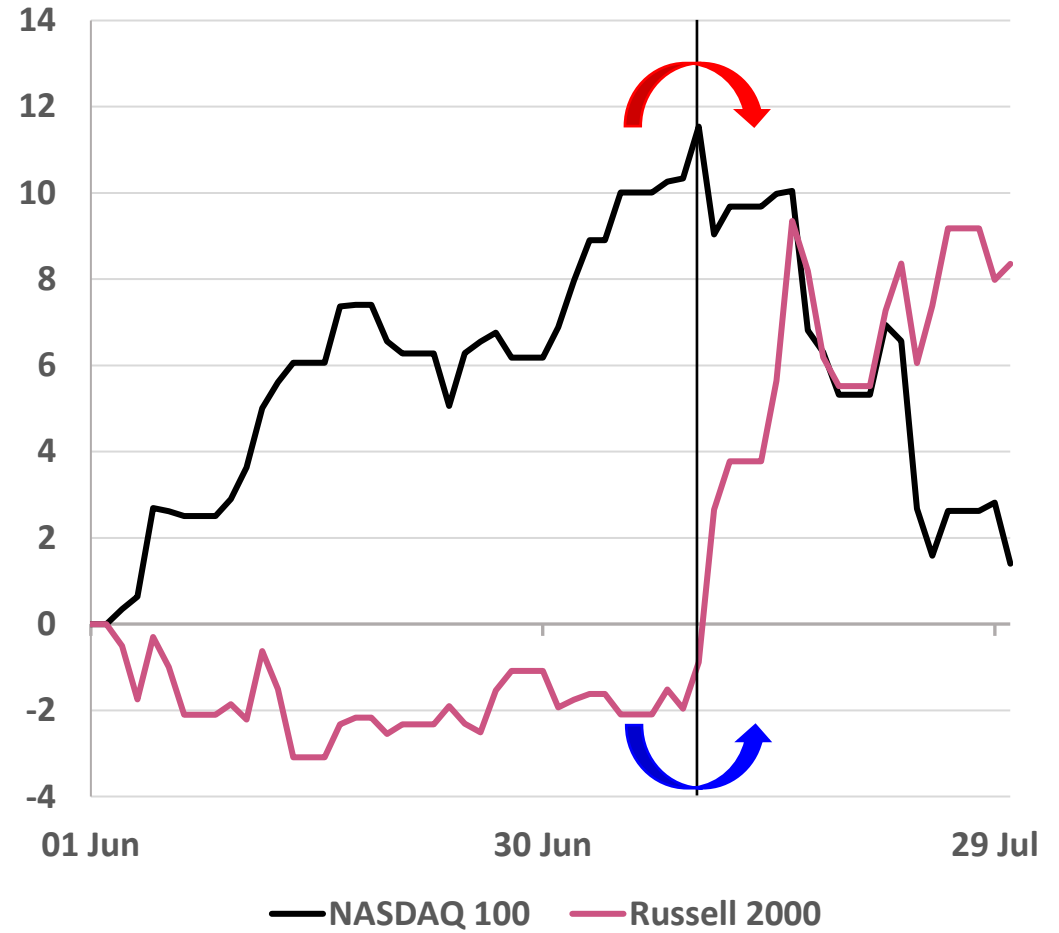


Start of a rotation?

US Tech vs Wider Market - significant outperformance



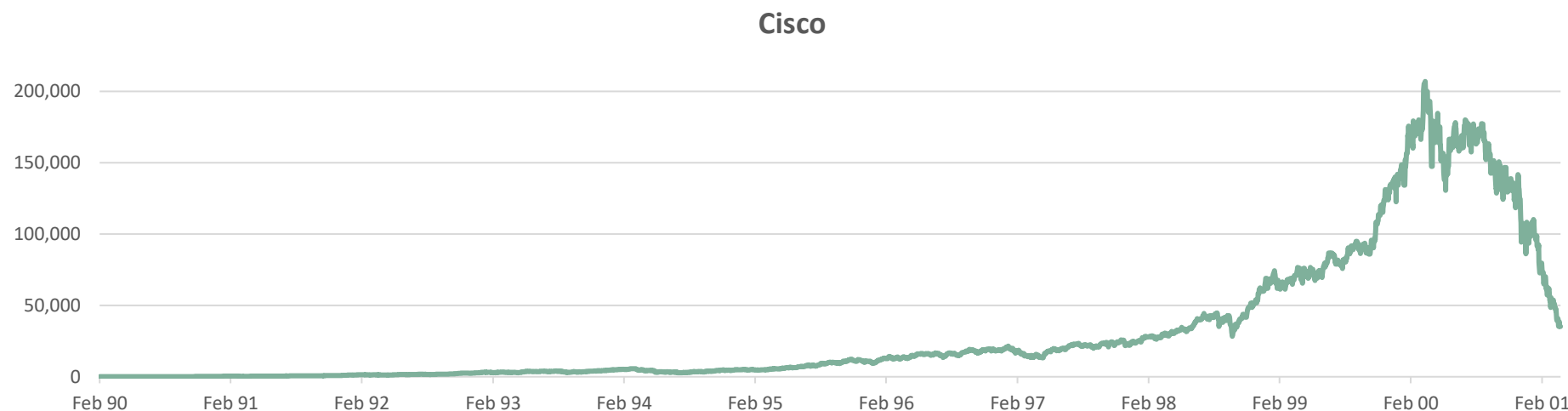
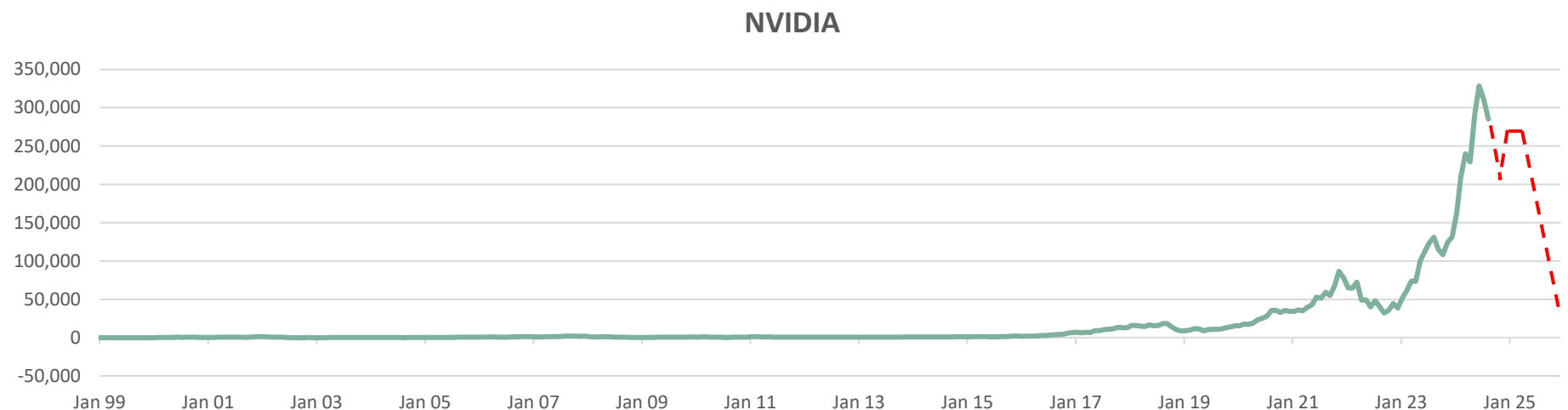
US Tech vs Wider Market - rotation



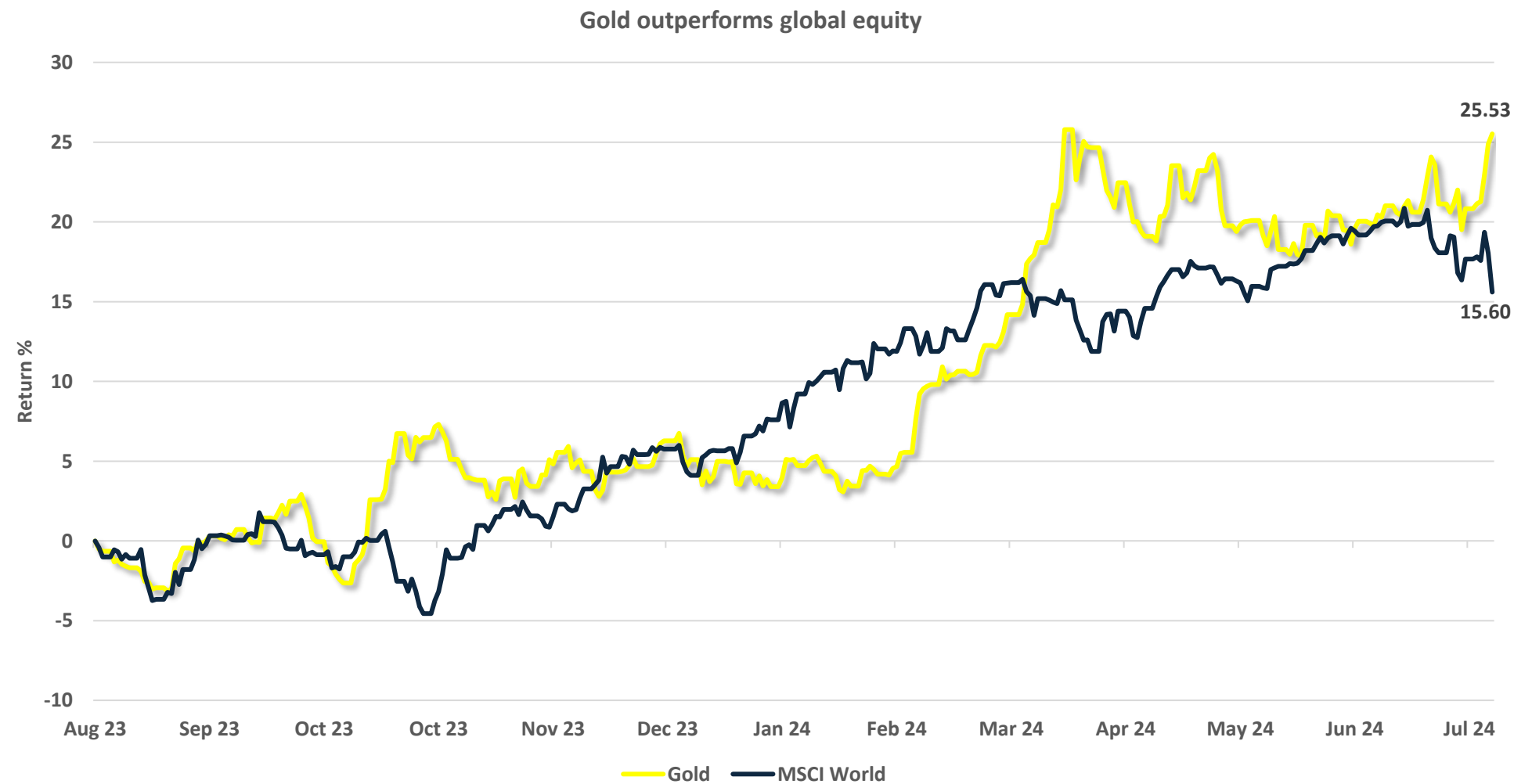
Nvidia cyclicalty – will history repeat itself?

Year	H1	H2	Total
2000	170.83%	-48.45%	39.61%
2001	183.08%	44.26%	308.37%
2002	-74.32%	-33.00%	-82.80%
2003	99.04%	1.27%	101.56%
2004	-11.77%	15.10%	1.55%
2005	13.41%	36.83%	55.18%
2006	16.47%	73.84%	102.46%
2007	11.62%	23.53%	37.88%
2008	-44.97%	-56.89%	-76.28%
2009	39.90%	65.46%	131.47%
2010	-45.34%	50.83%	-17.56%
2011	3.47%	-13.02%	-10.00%
2012	-0.29%	-10.71%	-10.97%
2013	15.79%	15.31%	33.52%
2014	16.80%	9.08%	27.40%
2015	1.15%	65.20%	67.09%
2016	43.51%	127.81%	226.94%
2017	35.74%	34.06%	81.98%
2018	22.58%	-43.56%	-30.82%
2019	23.29%	43.52%	76.95%
2020	61.63%	37.53%	122.30%
2021	53.30%	47.08%	125.48%
2022	-48.44%	-3.54%	-50.27%
2023	189.54%	17.09%	239.02%
2024	149.50%	-13.17%	136.30%

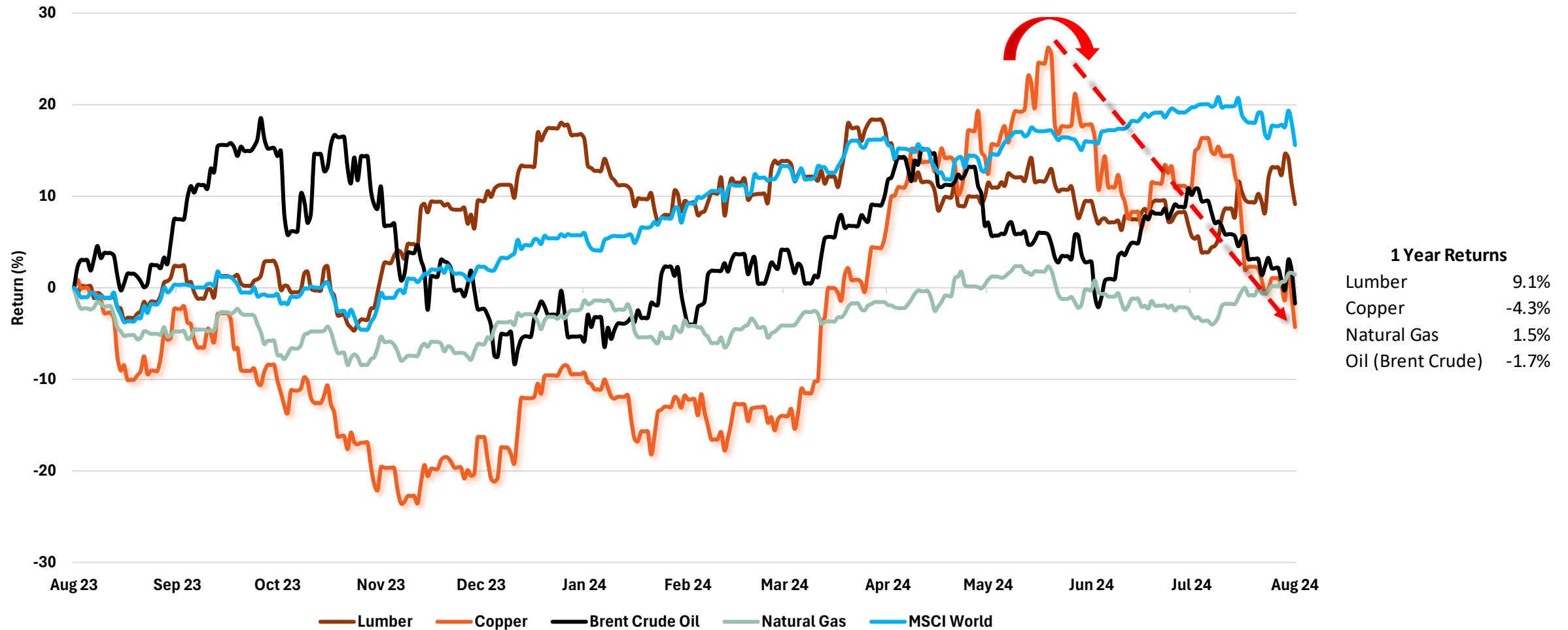
Excl. 2024	H1	H2	Annual
Median	16.64%	20.31%	47.40%
Average	32.33%	20.78%	62.50%



Gold hits a new all-time high

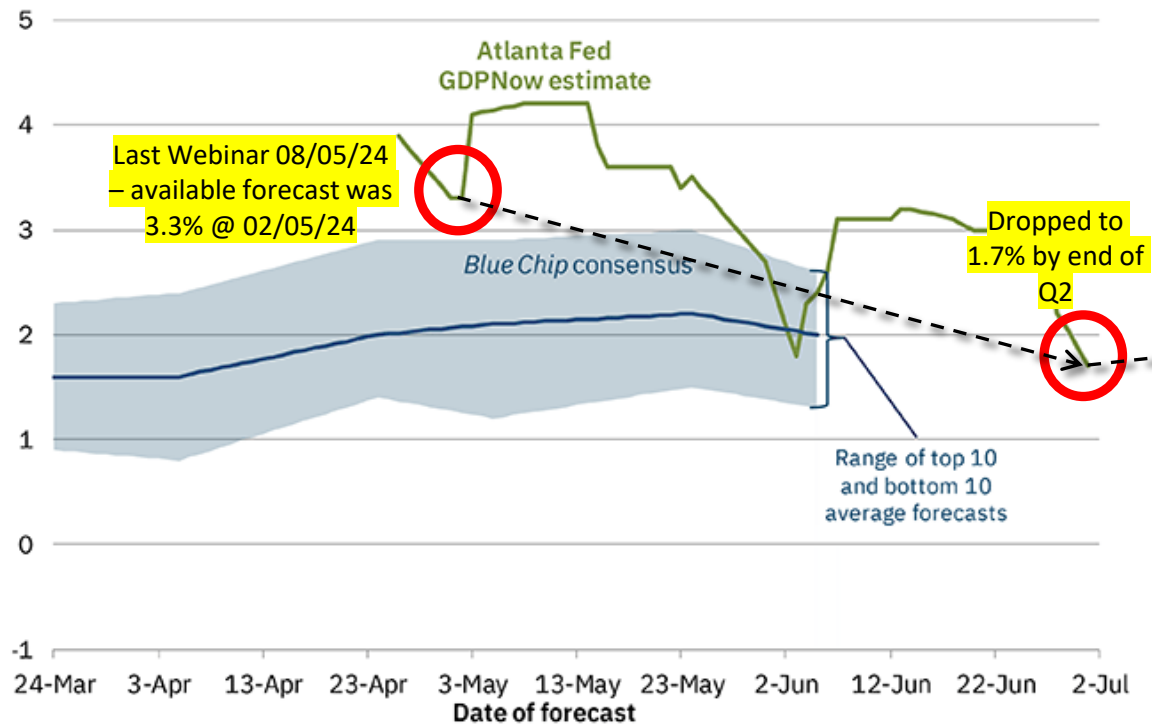


Dr Copper early warnings

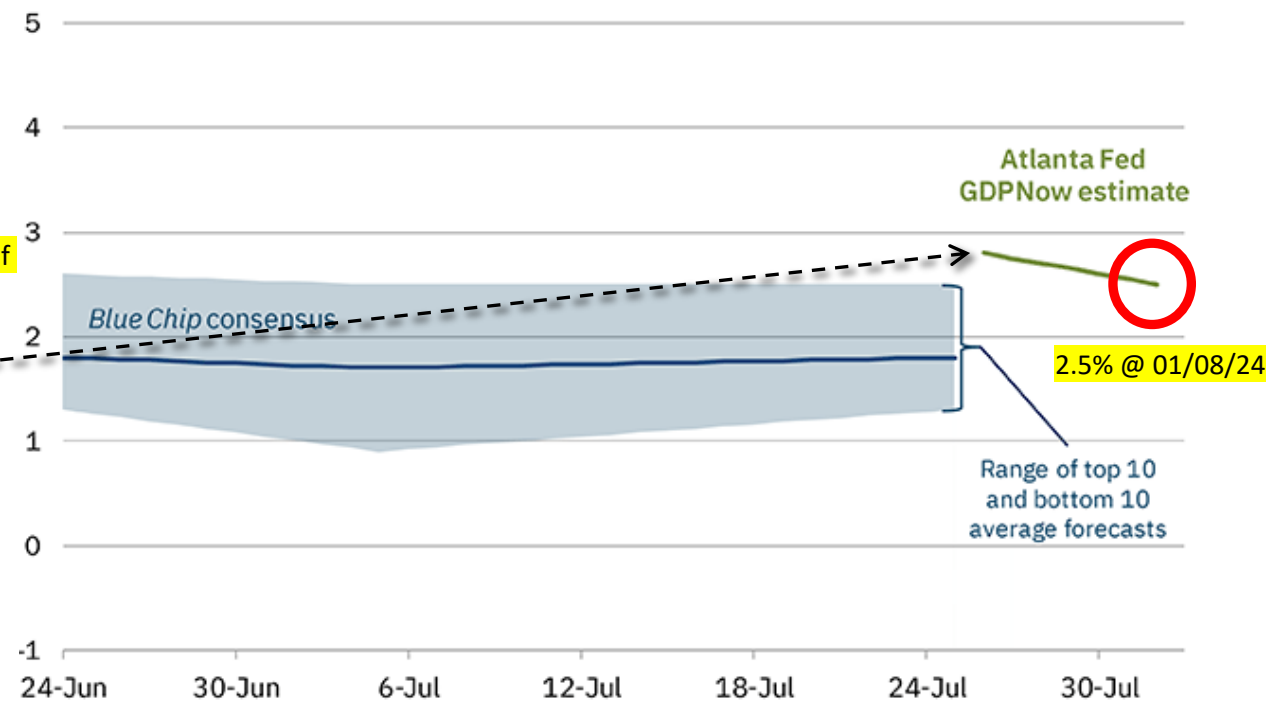


Uncertain growth expectations

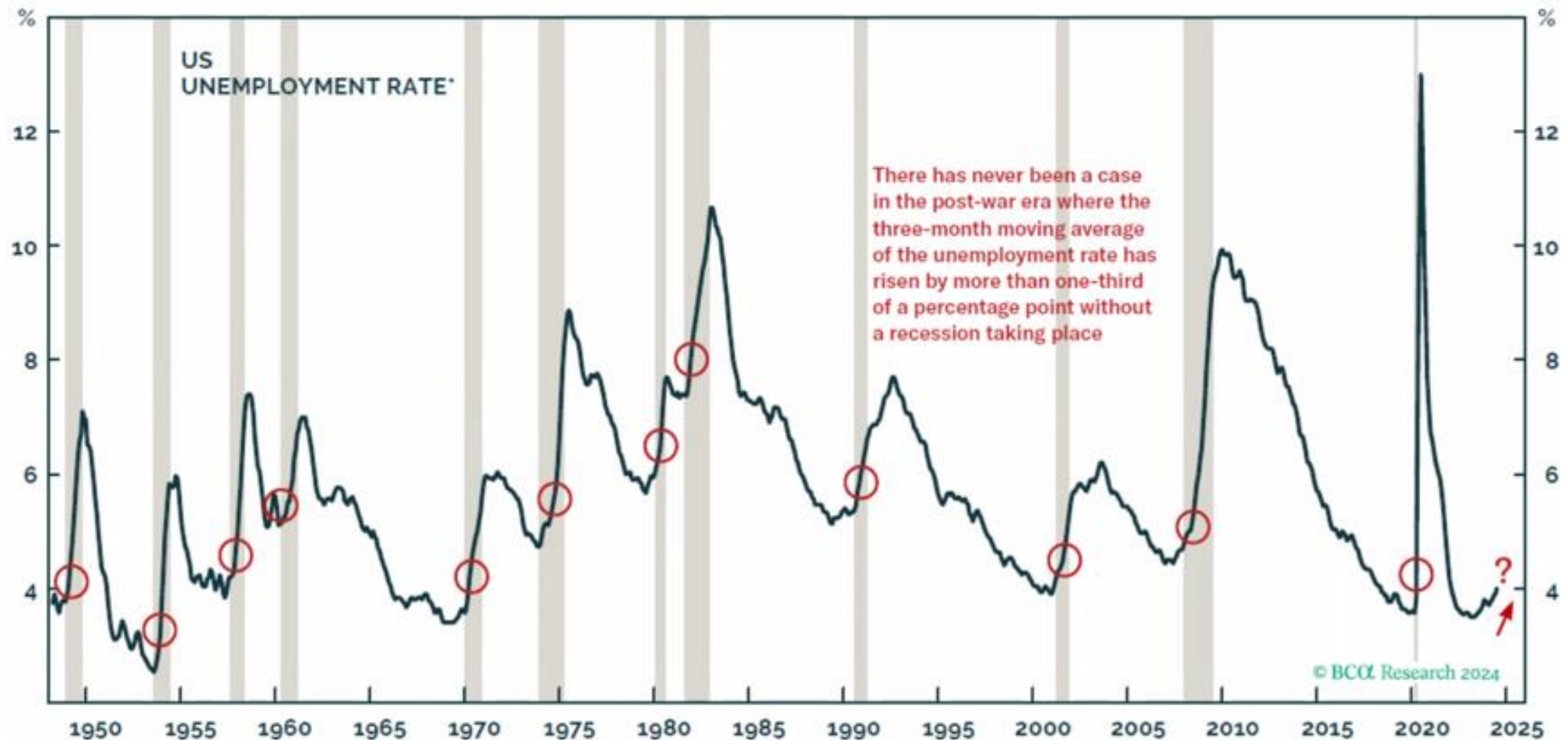
Evolution of Atlanta Fed GDPNow real GDP estimate for 2024: Q2
Quarterly percent change (SAAR)



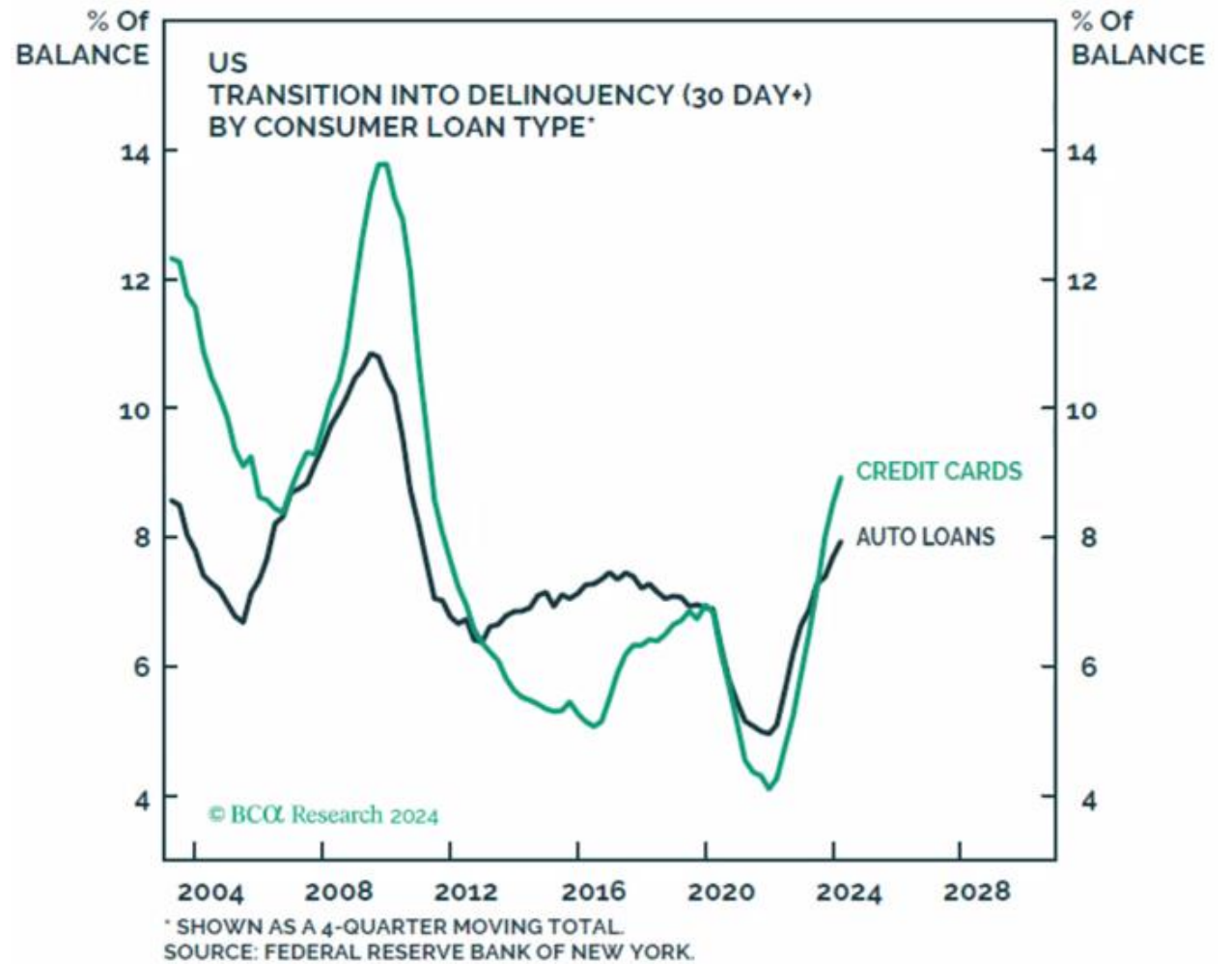
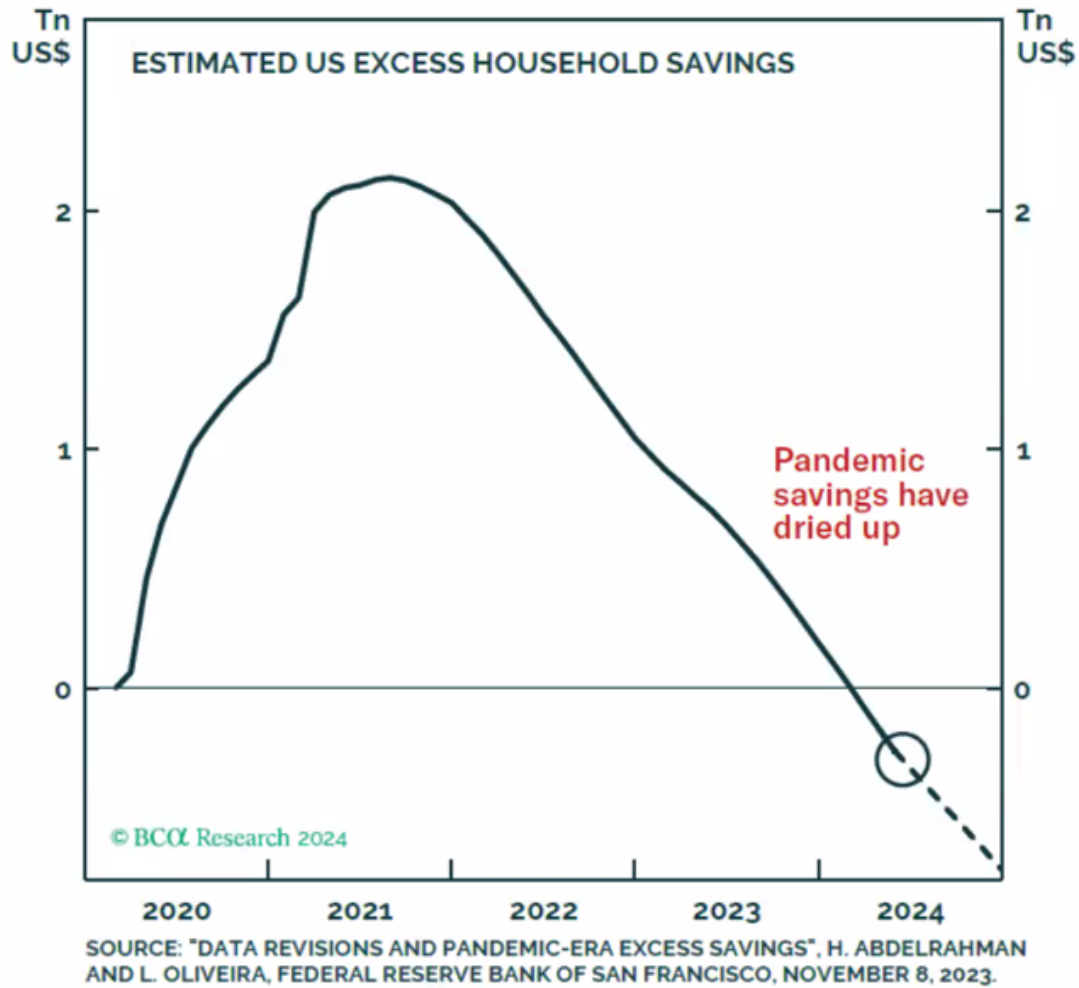
Evolution of Atlanta Fed GDPNow real GDP estimate for 2024: Q3
Quarterly percent change (SAAR)



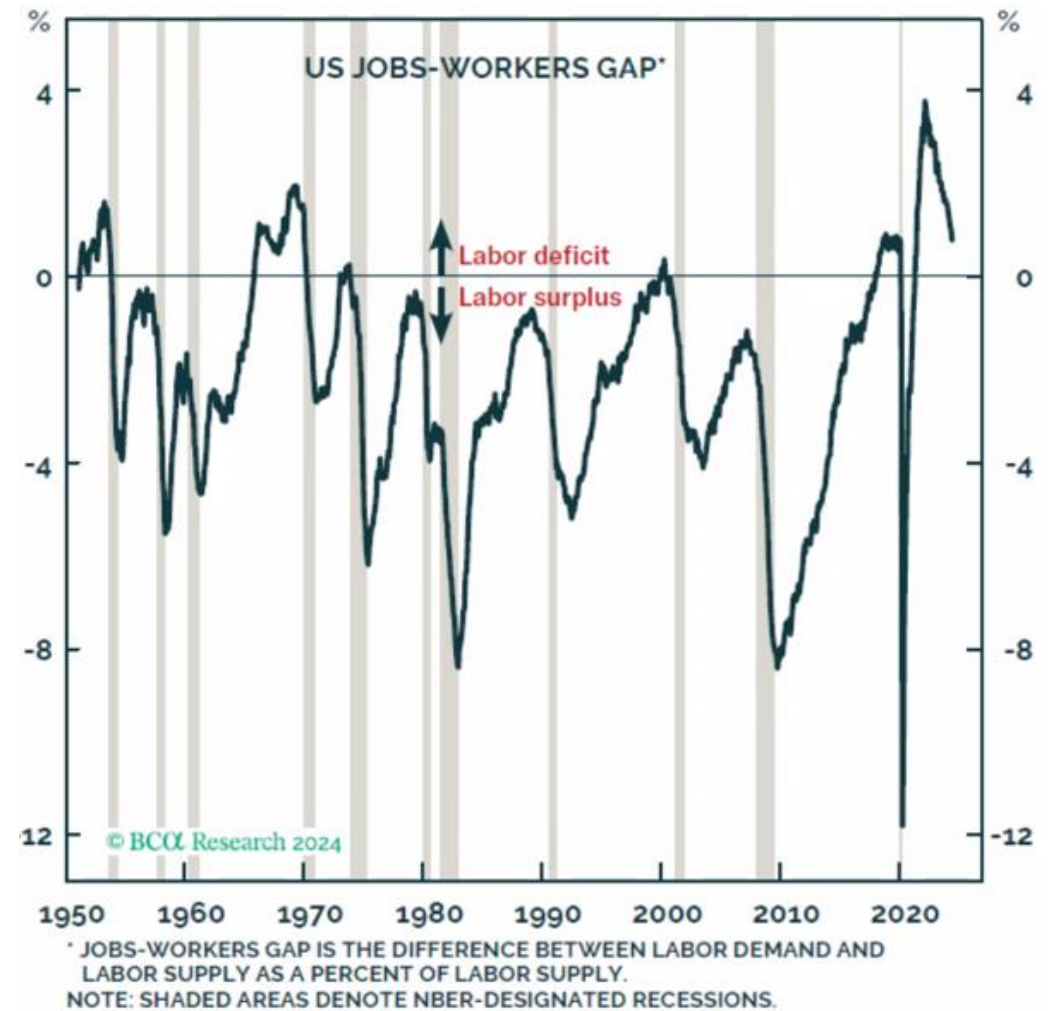
US recession on the way?



Lower savings, rising debt



Normalising employment rates, rising workforce numbers



Trump's policy proposals



Kamalanomics - continuity candidate policy proposals



US/China trade war

- *Electric Vehicles (25% to 100%)*
- *Solar Cells (25% to 50%)*
- *Semiconductors (25% to 50%)*
- *Battery Parts (7.5% to 25%)*
- *Steel, Aluminium, Critical Minerals and Permanent Magnets (new 25%)*
- *Medical Supplies (25% to 50%)*

Tariffs

Intellectual Property

- *Accusations of widespread theft and forced transfer of technology as condition of doing business with Chinese firms*

- *Restricted semiconductor sales to Huawei and ban of access to 5G networks*

Technology and Cybersecurity

Trade Imbalance

- *Significant trade deficit with China*

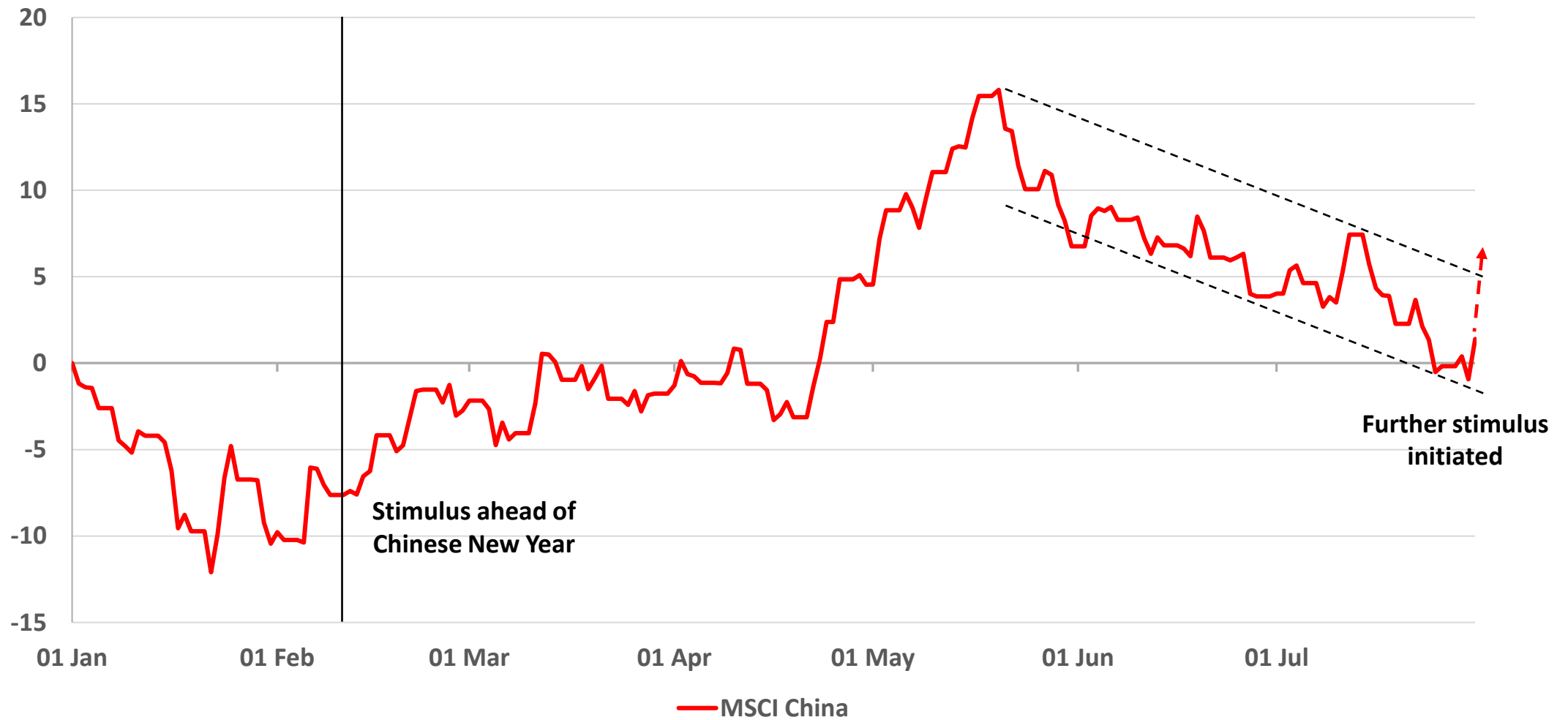
- *Hong Kong*
- *Uyghurs in Xinjiang*
- *Increased sanctions*

Human Rights and Geopolitics

Market Access and State-Owned Enterprises

- *Access for foreign companies and unfair trade practices*

Chinese stock market disappoints



AI policy evolving

- A significant publication from The Royal Statistical Society and American Statistical Association has added a new generative AI policy for its contributor guidelines:

“This magazine does not accept articles written, whether entirely or in part, by large language models such as ChatGPT, although tools to help with grammar and spelling are allowed. AI-generated images are also excluded from the magazine.”



UK outlook - it's different this time, right?

Current Market

- Attractive valuations
- Profit cycle bottoming out
- Inflation falling
- Interest rates falling
- Mortgage rates falling
- Tax rises (since Labour win)
- But... political feelgood?
- Policy support
- Economic growth (better than expected, surprise to upside?)
- Return of investor interest and flows – catch-up
- Animal Spirits!

Seriously cheap stock market

Improving economy

Takeover bids

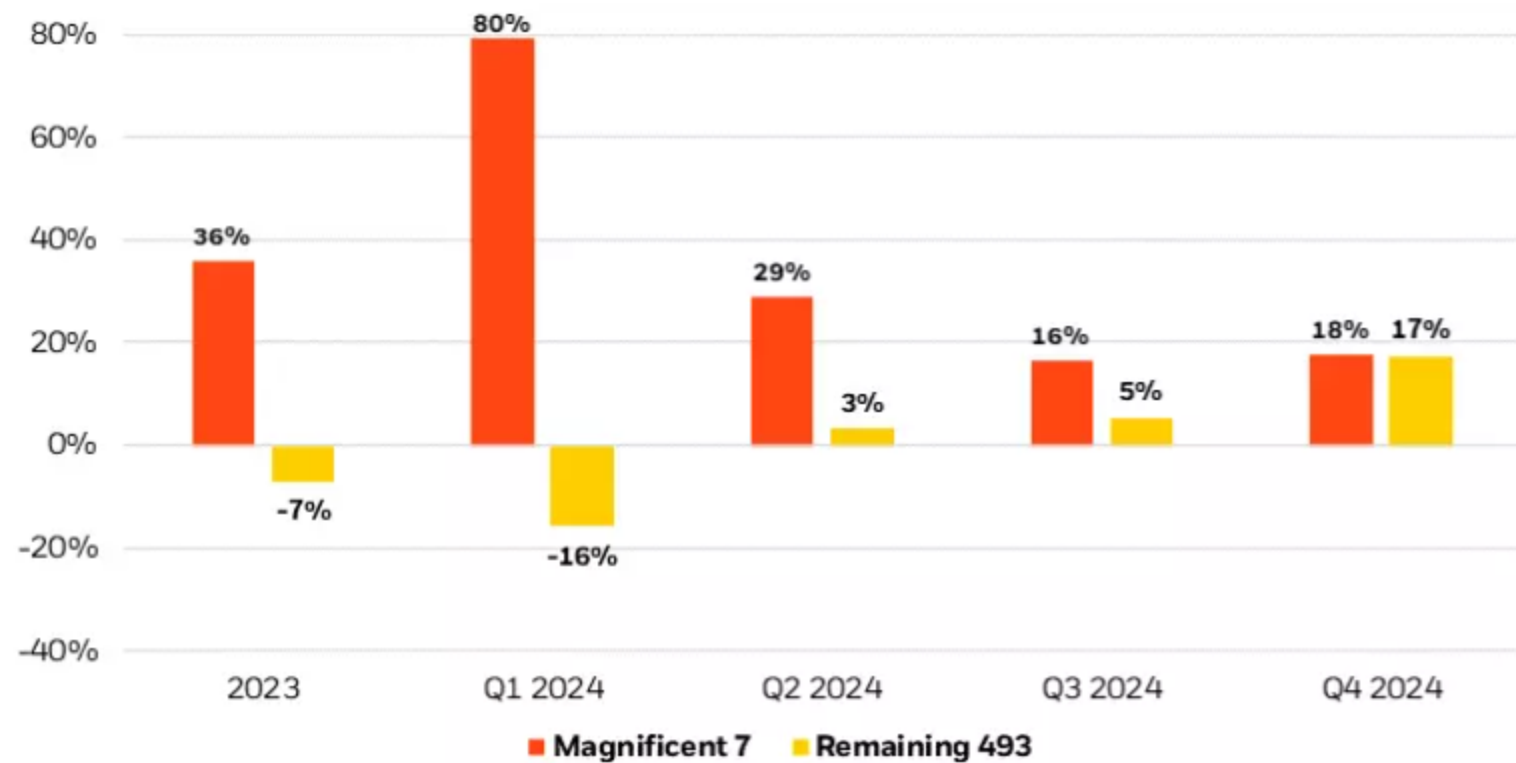
Better sentiment

Recovery Catalysts

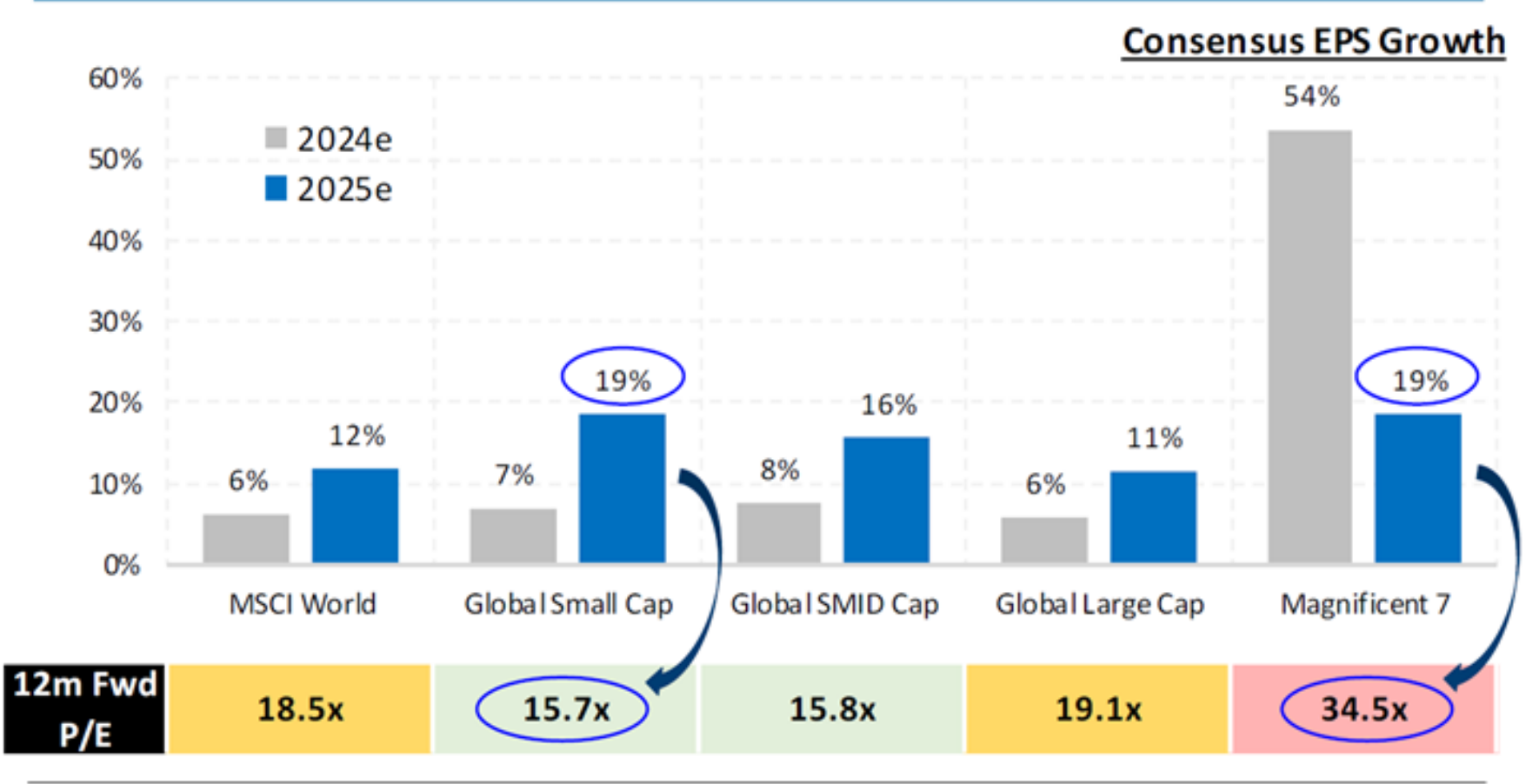
- Inflation peaked in Q4 2022
- Found troughed in Q4 2022
- UK interest rate cuts
- A soft landing for the UK economy is ongoing,
- Growth is very strong nominal GDP growth
- Material political change is underway
- The UK market has reached a stretched
- Valuation vs global average
- UK Smaller Companies are now particularly cheap
- A wide range of acquirors are actively targeting UK
- Smaller Companies
- The government is actively considering specific
measures particularly targeted to boost investment in
UK Smaller Companies
- Rising IPO interest

Widening opportunity set

Consensus analyst expectations for year-over-year earnings growth, 2023-2024



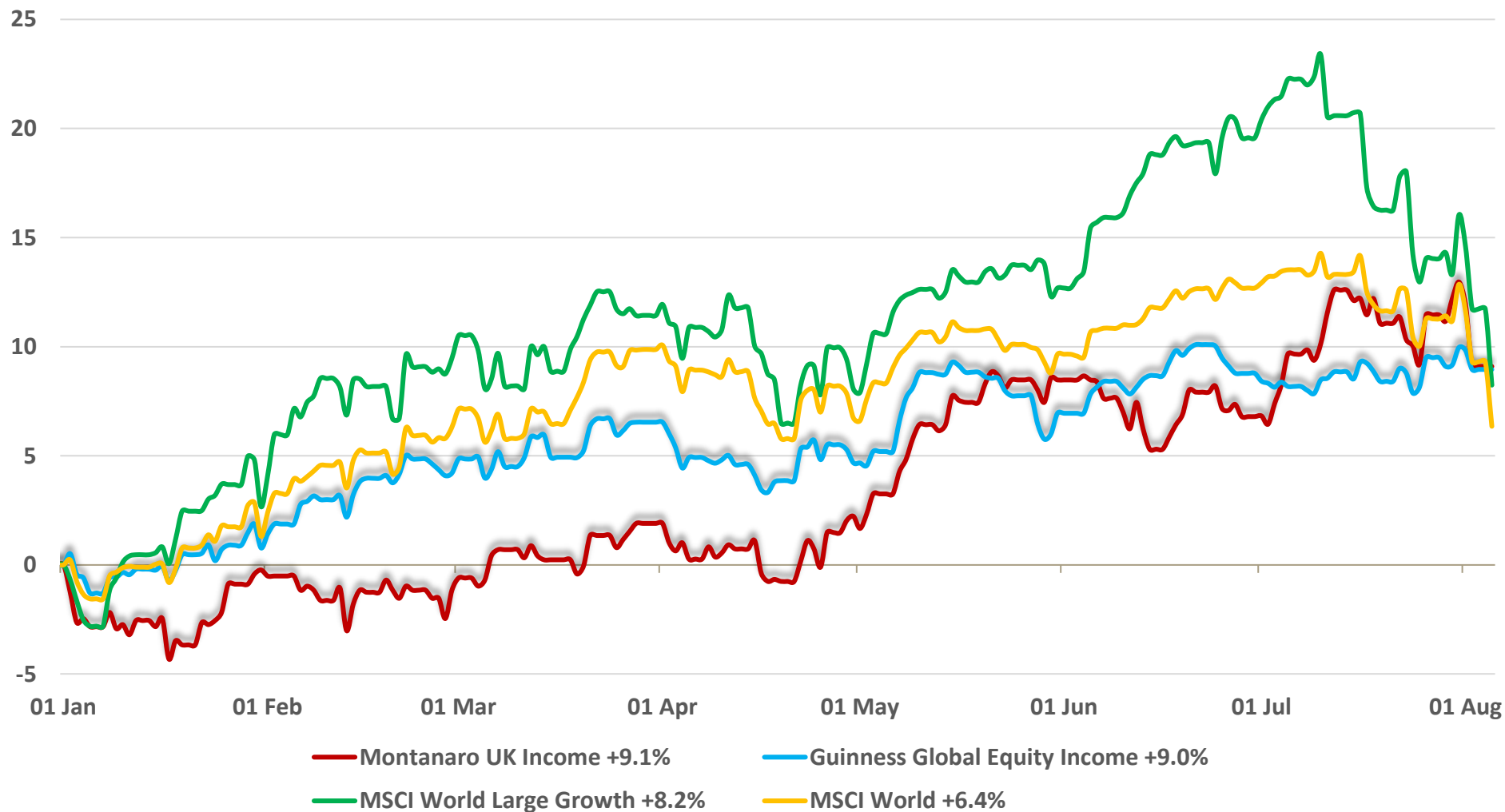
Global SmallCap offers the same EPS growth as the ‘Mag 7’ for half the price



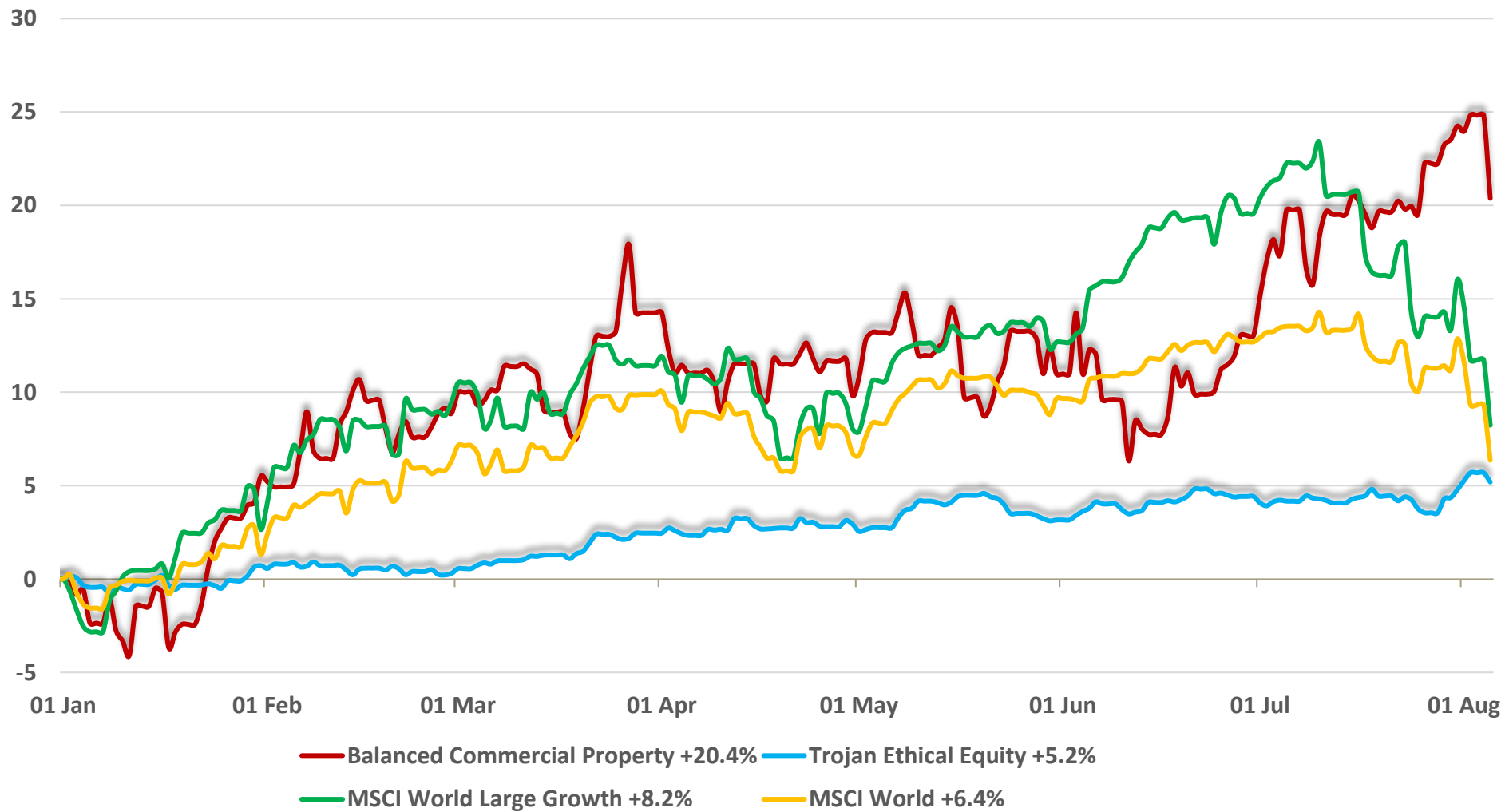
Source: Montanaro Asset Management, Factset.

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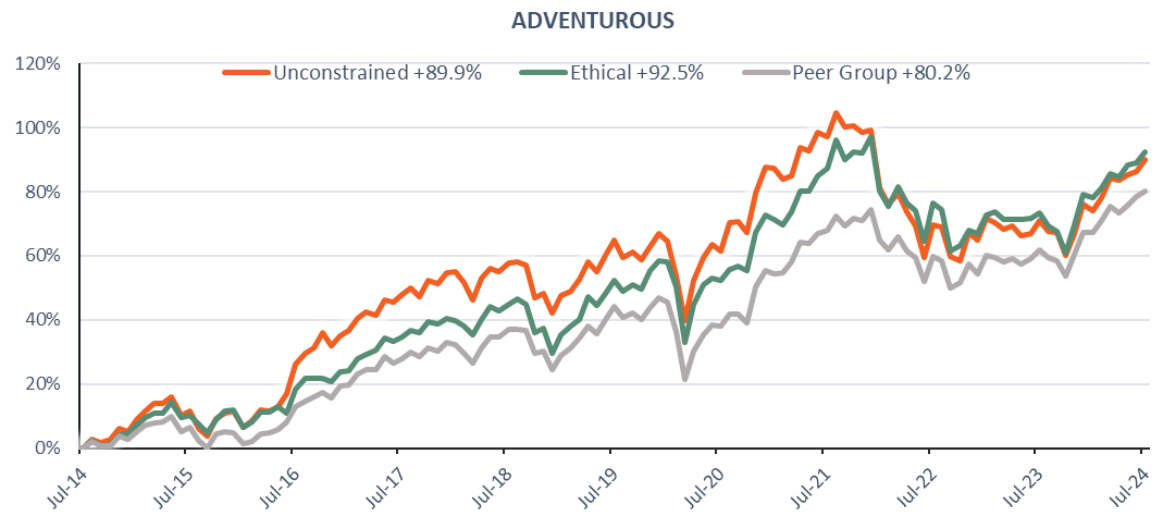
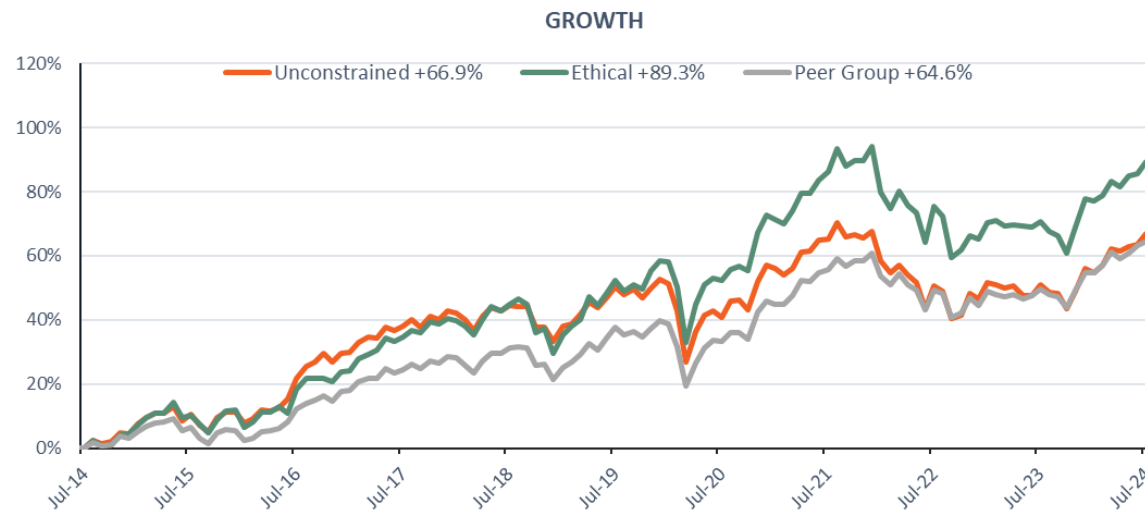
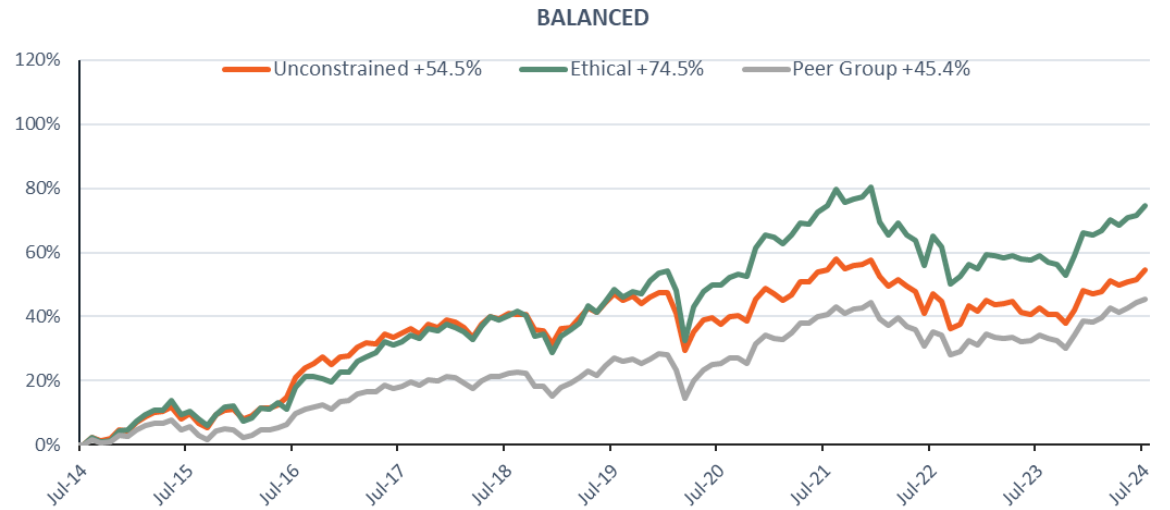
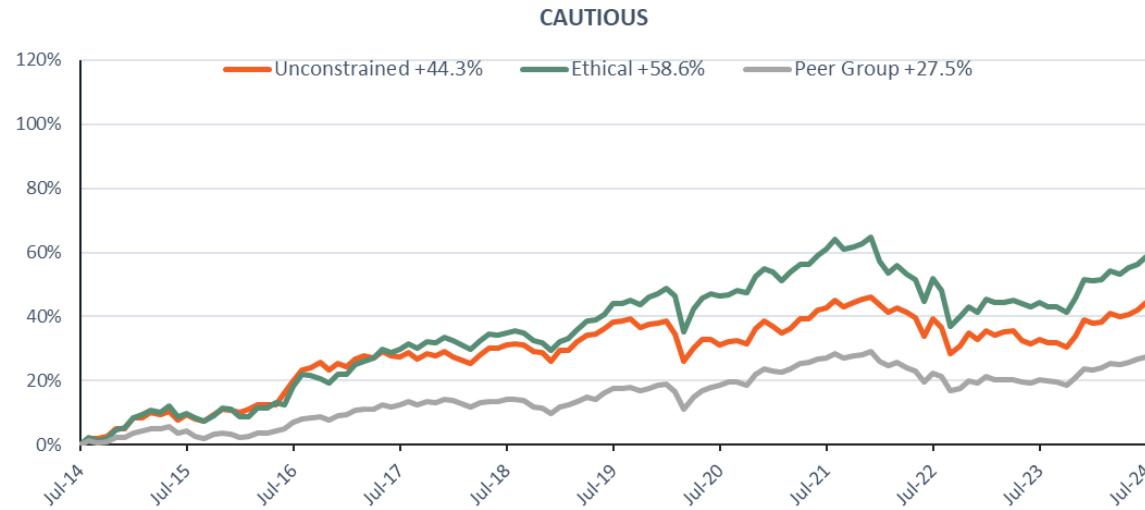
Quality and income



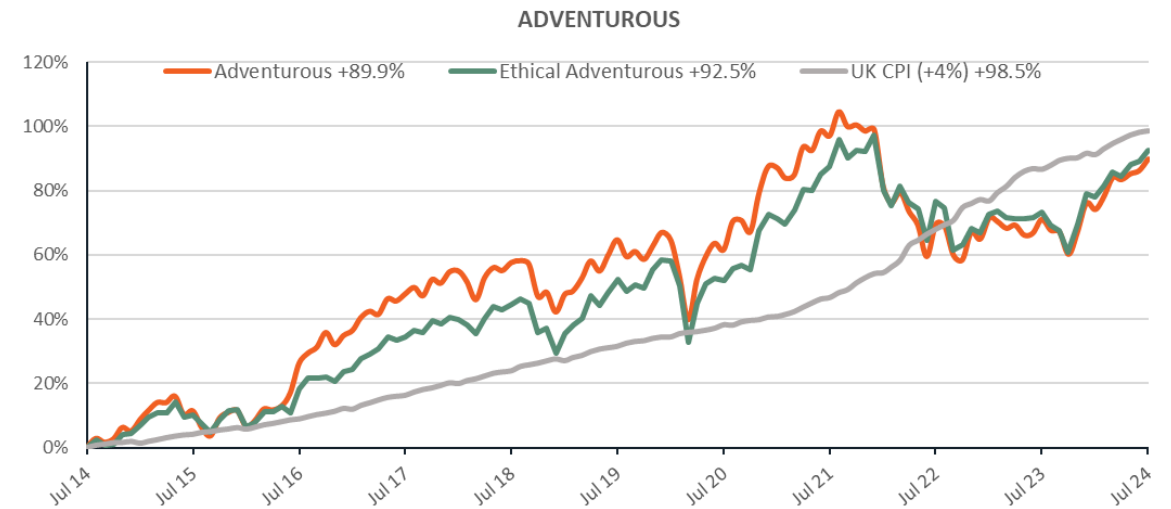
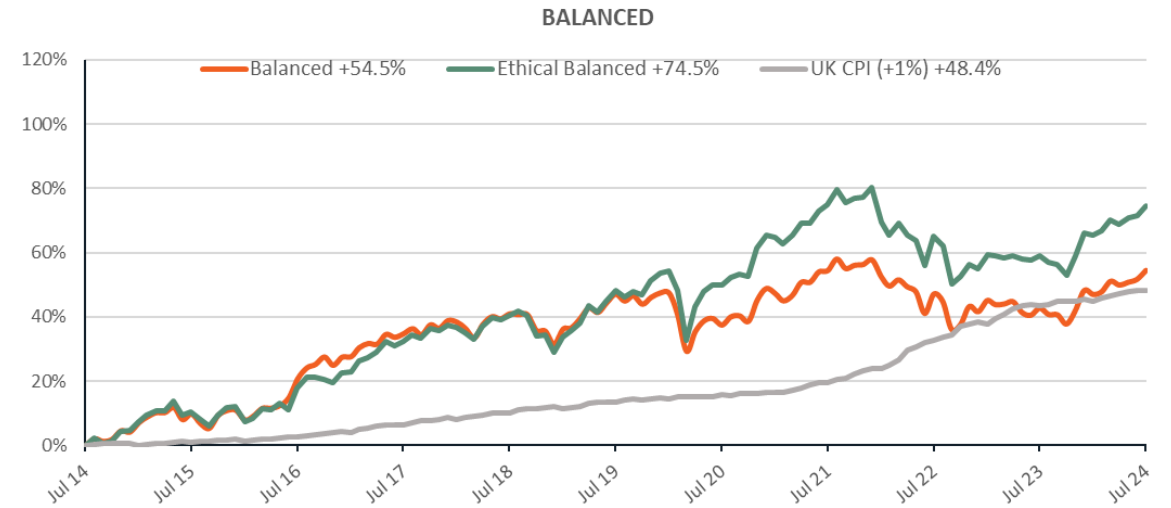
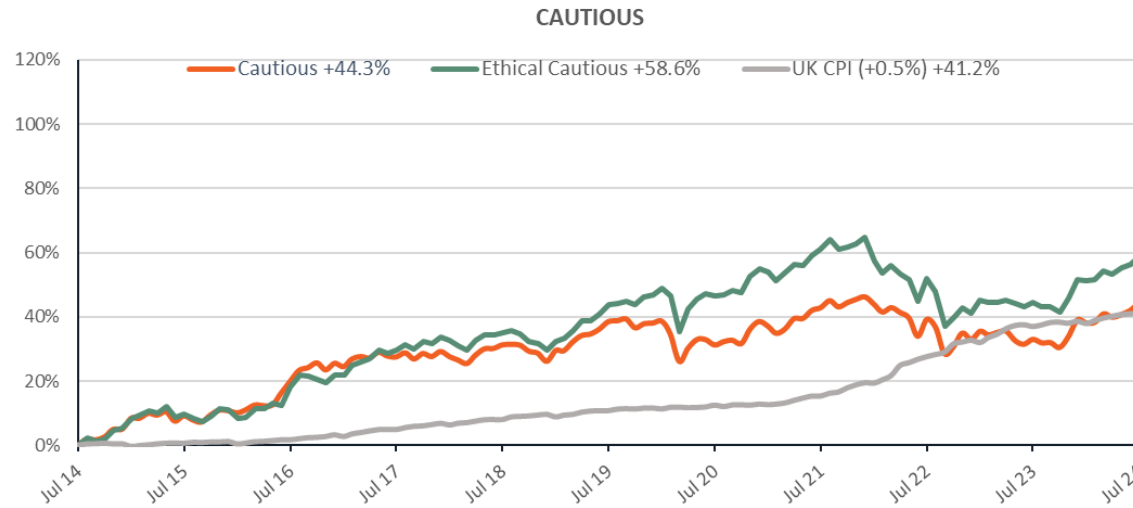
Alternative assets



MM Wealth strategies – 10-year performance vs peer group comparison



MM Wealth strategies – 10-year performance vs CPI-plus targets



10 years of markets and major events



What are the markets telling us?

- US bond yield curve moves hint at:
 - imminent policy rate cuts
 - longer-term inflationary growth (a secondary consideration)
- Rotation from large caps to mid/small cap stocks looks like mean reversion from mega-cap domination, catalysed by the cooler CPI data.
- Yen move is probably important: a change in speculative flows...
- Gold's move is probably a reaction to imminent US policy rate cuts, and the associated US\$ weakness. Do copper price falls signal some economic weakness?



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Q3 Outlook

- For July at least, returns broadened out from the narrow tech mega-cap focus – can the rotation continue?
- Interest rate cuts to follow from US, further for UK and Europe
- Europe, and France, now the basket case for geopolitical uncertainty, while UK politics looks more becalmed
- Trump vs Harris – growth inflation or more of the same ahead
- Upwards revisions to growth, but below trend, for the UK and Europe, while growth expected to decelerate in the US
- The gradual escalation of conflicts, Ukraine and the Middle East, are difficult to account for in strategies
- Careful selection and continued diversification sensible – stay the course, don't panic



Upcoming dates for your diary

UK Budget – Thursday 30th October

US Election – Tuesday 5th November

Next webinar – Tuesday 12th November at 2.30pm

Appendix

Global Market Returns in GBP

Best

↓

Worst

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
61.54 China	17.04 Japan	33.55 US - S&P 500	30.55 Emerging Markets	6.26 US - NDX	34.07 US - NDX	44.28 US - NDX	29.89 US - S&P 500	0.34 UK	46.38 US - NDX	9.52 US - S&P 500
26.83 US - NDX	16.11 US - NDX	27.96 US - NDX	25.13 Asia Ex Japan	1.56 US - S&P 500	31.89 China	34.08 China	28.68 US - NDX	-5.42 Global Ex US	21.61 Global	6.84 US - NDX
20.76 US - S&P 500	8.37 China	27.34 Asia Ex Japan	21.48 US - NDX	-2.16 Japan	26.43 Europe Ex UK	20.63 Japan	23.53 Europe Ex UK	-7.08 Asia Ex Japan	19.16 US - S&P 500	6.73 Global
9.32 Global	8.30 Europe Ex UK	25.96 Japan	21.12 China	-7.69 Global	26.41 US - S&P 500	19.12 Emerging Markets	20.90 Global	-7.79 US - S&P 500	16.36 Europe Ex UK	5.77 UK
9.21 Asia Ex Japan	7.25 US - S&P 500	24.64 Global Ex US	19.77 Global	-8.57 Asia Ex Japan	26.24 Global	18.66 Asia Ex Japan	18.32 UK	-8.94 Japan	15.65 Japan	4.61 Emerging Markets
6.63 Europe Ex UK	1.27 Global	16.75 UK	16.18 Global Ex US	-8.86 Global Ex US	19.17 UK	14.74 US - S&P 500	8.82 Global Ex US	-12.95 Europe Ex UK	9.85 Emerging Markets	3.32 Europe Ex UK
5.17 Emerging Markets	0.98 UK	9.69 Emerging Markets	14.75 Japan	-9.47 UK	18.06 Emerging Markets	14.21 Global	-0.08 China	-15.54 Emerging Markets	9.10 Global Ex US	1.85 Asia Ex Japan
2.11 Global Ex US	-0.20 Global Ex US	9.04 Global	13.59 Europe Ex UK	-10.08 Emerging Markets	17.17 Japan	7.24 Global Ex US	-0.19 Emerging Markets	-15.98 Global	7.92 UK	0.80 Global Ex US
1.45 Japan	-4.12 Asia Ex Japan	2.31 Europe Ex UK	13.10 UK	-11.31 Europe Ex UK	16.82 Global Ex US	1.43 Europe Ex UK	-2.00 Asia Ex Japan	-17.25 China	1.31 Asia Ex Japan	-0.27 China
1.18 UK	-5.76 Emerging Markets	1.14 China	11.29 US - S&P 500	-23.07 China	14.56 Asia Ex Japan	-9.82 UK	-3.49 Japan	-23.86 US - NDX	-15.96 China	-5.15 Japan

Asset Class Returns in GBP

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Best  Worst	21.87 REITs	6.28 EM Debt	33.37 Commodities	25.83 EM Equity	5.82 Govt Bonds	28.07 DM Equity	15.02 EM Equity	28.21 Commodities	30.76 Commodities	23.75 DM Equity	7.28 DM Equity
	13.80 EM Debt	5.36 REITs	33.12 EM Equity	19.13 DM Equity	2.43 IG Bonds	18.81 REITs	14.13 Hedge Funds	24.71 DM Equity	1.41 Cash	11.92 HY Bonds	4.37 HY Bonds
	10.40 DM Equity	2.65 DM Equity	30.77 EM Debt	9.65 Hedge Funds	0.52 Cash	14.31 EM Equity	14.06 DM Equity	24.18 REITs	-4.14 Hedge Funds	9.05 Hedge Funds	3.95 EM Debt
	9.57 IG Bonds	2.55 Hedge Funds	24.79 REITs	6.73 HY Bonds	0.39 EM Debt	12.32 HY Bonds	6.96 IG Bonds	10.62 Hedge Funds	-6.23 IG Bonds	4.65 Cash	3.23 Cash
	5.45 Hedge Funds	2.31 Govt Bonds	24.38 IG Bonds	5.06 REITs	0.32 REITs	11.26 EM Debt	6.12 Govt Bonds	2.78 HY Bonds	-7.08 Govt Bonds	4.34 EM Debt	2.43 IG Bonds
	5.38 Govt Bonds	2.02 IG Bonds	21.25 Govt Bonds	0.43 EM Debt	-3.31 Hedge Funds	10.03 Hedge Funds	5.10 HY Bonds	-0.04 Cash	-7.56 EM Debt	4.05 EM Equity	1.32 EM Equity
	4.29 EM Equity	0.36 Cash	15.66 HY Bonds	0.26 Cash	-3.61 HY Bonds	7.21 IG Bonds	2.18 EM Debt	-1.32 EM Equity	-9.62 EM Equity	3.59 REITs	0.90 Govt Bonds
	2.71 HY Bonds	-2.11 HY Bonds	9.65 DM Equity	-0.35 IG Bonds	-5.78 Commodities	3.64 Commodities	0.42 Cash	-1.65 EM Debt	-12.58 HY Bonds	3.42 IG Bonds	0.00 Hedge Funds
	0.28 Cash	-9.65 EM Equity	5.60 Hedge Funds	-2.00 Govt Bonds	-6.86 DM Equity	1.51 Govt Bonds	-6.10 Commodities	-2.00 IG Bonds	-13.96 REITs	-1.70 Govt Bonds	-0.53 REITs
	-11.85 Commodities	-20.34 Commodities	0.44 Cash	-7.11 Commodities	-8.92 EM Equity	0.78 Cash	-11.97 REITs	-5.74 Govt Bonds	-15.62 DM Equity	-13.09 Commodities	-1.78 Commodities

Time in the market, not timing the market



Disclaimer

Opinions constitute our judgement as of this date and are subject to change without warning. The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your original investment. Past performance is not a reliable indicator of future results and forecasts are not a reliable indicator of future performance. Where an investment involves exposure to a foreign currency, changes in rates of exchange may cause the value of the investment, and the income from it, to go up and down. The information in this document is not intended as an offer or solicitation to buy or sell securities or any other investment, nor does it constitute a personal recommendation.

We hope you found this presentation of interest and useful.

If you have any questions, please do not hesitate to contact us.



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