

# MARKET CHRONICLES

June 2024



"In June, we witnessed a spirited lift in global equity markets, thanks to the ECB's proactive rate cut, sparking a wave of optimism for potential rate cuts in the US amid softer inflation. Despite the gains, European political jitters and trade headwinds in China reminded us to stay nimble. Over in Japan, stocks climbed, albeit with an air of caution. The bond landscape saw modest improvements, with the Fed's steady hand on rates leading to a tighter US Treasury yield spread. On the commodities front, energy prices shone, though metal sectors felt the pinch from demand concerns. We're keeping our eyes peeled, ready to pivot as we navigate these choppy but opportunity-rich waters."

- Narendra Babu, Senior Director, Financial Marketing Services

## Global Markets

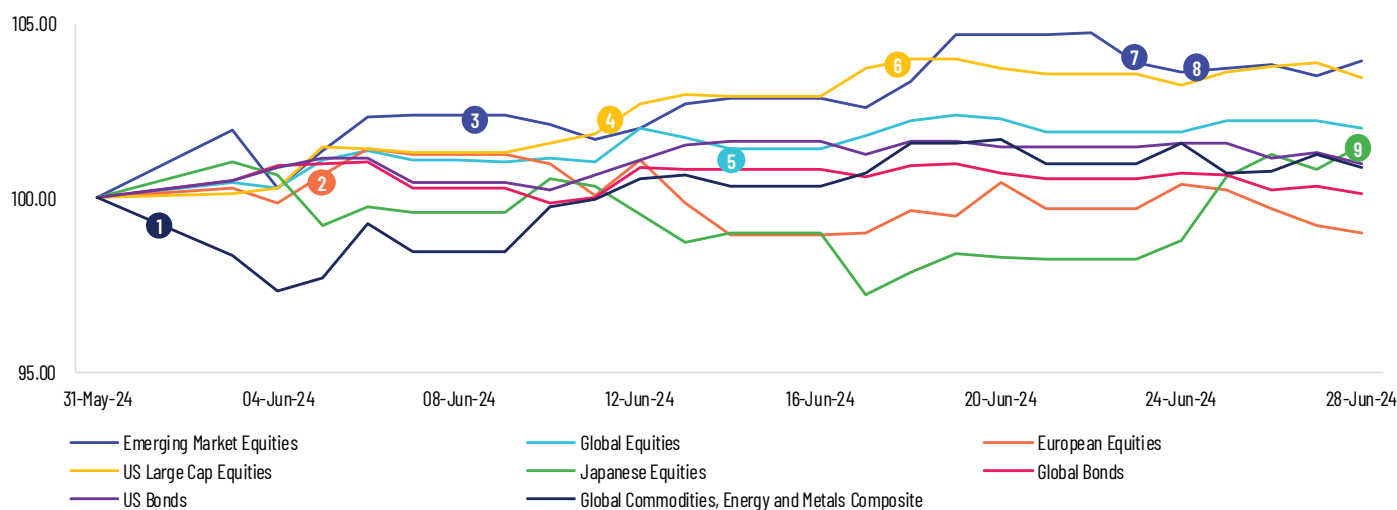
**Global Equity Markets** **2.5%**

**US Large Cap Equities** **3.9%**

**Global Bonds** **1.8%**

\*All performances are in USD

### Asset Class Performance



Please note that the chart is intended for illustrative purposes only and should not be used for precise performance measurement. All performance data has been normalized to a baseline value of 100 for comparative ease.

- 2 June: OPEC+ decides to prolong significant oil production reductions until 2025.
- 6 June: European stocks rise after ECB cuts rates for first time in 5 years.
- 9 June: Modi sworn in as India's Prime Minister for the third term, faces coalition hurdles.
- 11 June: Federal Reserve holds rates steady for seventh time, projects single cut this year
- 14 June: G7 addresses concerns regarding China's trade practices.
- 19 June: Nvidia overshadows Microsoft as the world's most valuable company.
- 24 June: India's overseas gold reserves hit a 6-year low, making up 47% of the total.
- 25 June: Argentina undergoes a technical recession as job losses ascend under Milei.
- 26 June: US dollar at 38-year high against Japanese yen

### Top Performing Asset Class:

**Equities +2.5%**

Equities performed the best in June as investors cautiously withdrew money ahead of a key U.S. inflation report, a hawkish Federal Reserve policy decision, and ongoing political risks in Europe.



### Bottom Performing Asset Class:

**Global REITs +0.6%**

Global REITs posted marginal returns after US banks passed a Federal Reserve stress test, surviving a hypothetical 40% drop in commercial real estate values.

## Equity

Global equity markets rose in June after the European Central Bank (ECB) cut rates for the first time in five years. Denmark's central bank followed suit, lowering its benchmark interest rate. In the US, markets improved on slowing inflation and the unemployment rate rose to 4%, raising investor hopes for rate cuts. However, European stocks fell amid political uncertainty following the recent elections in the European Union. The risks posed by this uncertainty dented market gains realized after the ECB's rate cut earlier in the month. Meanwhile, the Bank of England (BoE) kept its key interest rate steady at 5.25% as inflation fell to the central bank's target of 2%. In Japan, stock prices increased as the Bank of Japan (BoJ) maintained its interest rates and signaled an imminent reduction in bond purchases. However, investors remain cautious as the BoJ is expected to unveil its tapering plan, set to begin in August. Chinese shares also slipped as domestic investors grew more wary about the country's growth outlook. Furthermore, the long-running property downturn continued to dampen the risk appetite of investors. The economy was affected by a faltering property sector and new trade sanctions from the US and UK, particularly affecting the electric vehicle industry. Despite the headwinds, some economic indicators hinted at resilience. The most recent manufacturing, trade, and inflation data pointed to nascent signs of improvement.

## Fixed Income

Global bonds rose marginally in June on signs that inflation was easing around the world. The Federal Reserve (Fed), in its June meeting, decided to hold policy rates steady at 5.25-5.50% for the seventh consecutive time, stating it would be in a position to cut rates only after ascertaining that inflation was moving sustainably toward the target rate. Markets anticipate only one rate cut this year. The yield on the 10-year US Treasury note dropped to 4.39% by the end of June as investors awaited further developments to gauge the Fed's monetary policy outlook. Simultaneously, the yield on its 2-year bond decreased to 4.77%. Consequently, the 10-2-year yield spread narrowed over the month.

Yields on eurozone government bonds declined in June as the ECB reduced interest rates by 25 basis points during its June meeting. This move came after nine months of stable rates, driven by inflation trends. However, domestic price pressures remain elevated relative to the ECB's target rate of 2%, and the ECB continues to maintain a data-dependent approach.

## Commodities

Global commodity markets gained in June as energy prices remained elevated. Oil prices edged higher due to the increase in demand expected during the summer and OPEC+ production restraints. The ongoing tensions in the Middle East and Ukraine's drone attacks on Russian oil infrastructure have also supported oil prices. Precious metals are under pressure amid uncertainty about interest rate cuts. Gold and silver prices fell due to caution ahead of US inflation data and the strengthening of the US dollar following robust US business activity data. Industrial metals also lost ground, particularly due to the decrease in copper prices amid weak demand from China – the top consumer of copper. Wheat futures were under pressure from an advancing US harvest. Coffee and cocoa prices remained elevated due to tight supply following a troubled growing season.

## Central Bank Quotes



These dynamics can continue as long as they continue, we've got a good strong labour market. We think we've been making progress toward the price stability goal. We're asking ... is our policy stance about right? And we think yes, it's about right.

- Jerome Powell, Chairman, Federal Reserve

Price stability goes hand in hand with financial stability. We pay close attention to the smooth functioning of financial markets, and today we continue to do so.

- Christine Lagarde, President, European Central Bank



## Market Indices

2018	2019	2020	2021	2022	2023	YTD	June 2024
US Large Cap Equities -4.4%	US Large Cap Equities 31.5%	Asian Equities Ex- Japan 25.4%	US Large Cap Equities 28.7%	UK Equities 0.3%	Japanese Equities 28.3%	Japanese Equities 46.6%	US Large Cap Equities 3.9%
UK Equities -9.5%	European Equities Ex-UK 27.5%	Emerging Market Equities 18.7%	European Equities Ex-UK 24.4%	Japanese Equities -2.5%	US Large Cap Equities 26.3%	US Large Cap Equities 37.5%	Asian Equities Ex- Japan 2.8%
European Equities Ex-UK -10.6%	UK Equities 19.2	US Large Cap Equities 18.4%	UK Equities 18.3%	European Equities Ex-UK -12.2	European Equities Ex-UK 17.3%	European Equities 26.2%	Emerging Market Equities 2.4%
Asian Equities Ex- Japan 14.1%	Emerging Market Equities 18.9%	Japanese Equities 7.4%	Japanese Equities 12.7%	US Large Cap Equities -18.1%	Emerging Market Equities 10.3%	UK Equities 17.6%	Japanese Equities 0.8%
Emerging Market Equities -14.2%	Asian Equities Ex- Japan 18.5%	European Equities Ex-UK 2.1%	Emerging Market Equities -2.2	Asian Equities Ex- Japan -19.4%	UK Equities 7.9%	Emerging Market Equities 9.6%	UK Equities -1.3%
Japanese Equities -16.0%	Japanese Equities 18.1%	UK Equities -9.8%	Asian Equities Ex- Japan -4.5%	Emerging Market Equities -19.7%	Asian Equities Ex-Japan 6.3%	Asian Equities 9.1%	European Equities Ex-UK -2.3%

## In case you missed it

- [1. An in-depth analysis of the impact of global warming on human and business behaviour.](#)
- [2. US economic recovery – credit-driven or investment-driven? Read to find out.](#)
- [3. Understanding how to enhance the reach of sustainability reporting using CSRD](#)
- [4. Does structured execution of corporate governance in Japan attract global investors?](#)

## What's ahead

July 9, 2024	US - Consumer Credit
July 17, 2024	Euro - Area Inflation Rate MoM
July 18, 2024	ECB - Monetary policy meeting in Frankfurt
July 30, 2024	US - FOMC Meeting
August 1, 2024	BoE Interest Rate Decision
August 2, 2024	US - Unemployment Rate

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