

Introduction

Following mixed results in May, June was a global success for equities with indices returning positive results. After May demonstrated the divergence of growth and value, June returned similarly with positive growth for both. The Federal Reserve took a pause in their interest rate hiking regime, whilst most other central banks continued to increase interest rates due to inflation remaining high.

Markets

As stated above, June demonstrated strong results globally. The S&P 500 and Nikkei 225 returned 6.61% and 7.61% respectively (in local currency terms), with the EuroStoxx 50 following closely behind with a return of 4.35%. Whilst the UK market did achieve positive growth over the month, it fell behind with the FTSE 100 returning 1.40%.

UK

The UK equity market had a relatively positive month. Whilst not performing as well as other developed markets, a month of growth was welcomed with a muted FTSE All-Share performance of 0.99%. The Bank of England surprised the markets by implementing an interest rate increase of 0.5%, with the base rate now at 5%. May inflation results showed no reduction, and whilst June demonstrated progress, more hike rates are likely in the coming months, with markets expecting a peak of around 6%.

Europe

European markets had a successful month. The EuroStoxx 50 returned 4.35% over the period, helping the region to have a positive quarter result. Data showed that Germany tipped into a recession earlier in the year, but this didn't appear to impact markets as the influence of AI aided investor sentiment. As with previous

months, the Purchasing Managers Index (PMI) showed signs of contraction for the manufacturing sector, and whilst the services sector remained over 50 (a sign of growth), this has fallen since last month. The European Central Bank continued with its interest rate increases, with an increase of 0.25%.

US

Following last month's concerns around the debt ceiling, this month markets appeared unperturbed, and the S&P 500 returned over 6%. As with prior months, tech stocks have led the way. US inflation data fell to 4%, whilst GDP results showed growth of 2%. The Federal Reserve took the opportunity to pause its interest rate hike regime. Markets are expecting there to be 1 or 2 more increases to interest rates, but the consensus is that the end is near.

Japan

Japan had another successful month in both local and dollar terms. The Nikkei 225 returned 7.61% in June, leading to a second quarter growth of 18.54% (in JPY).

Asia & Emerging Markets

After China ended its lockdown period, markets were expecting great results, but momentum has now fallen following periods of disappointing growth. Meanwhile, Brazil, Mexico & India returned positive market growth.

Outlook

The US had very successful inflation results and other developed markets could follow in the coming months. Because of the differing reasons for inflation remaining persistent, we are not expecting the UK inflation rate to fall as quickly as the US, however, the latest results show that the Bank of England's policies are starting to have an impact. The challenge in the economies will be balancing the inflation rate alongside a risk of recession, and all central banks will be monitoring this closely.

Sovereign bond yield curves continue to be inverted, with short-term yields much higher than longer-term, still demonstrating potential signs of recession.

At Flying Colours, we continue to monitor the markets to find the best opportunities for our clients. We maintain the view that our portfolios are designed for long-term investment, and as we look for opportunities in challenging market conditions, we will ensure that our portfolios are closely risk managed. Our aim is to achieve managed risk-adjusted returns for our clients.