June 2024

The Premier Partnership Limited
Your Family Office

Investment REPORT

Not Tonight (Or Even For A While) Josephine

Our title this month refers of course to interest rates and their direction and duration. Global stock markets have had an excellent 2nd quarter of 2024, and whilst calendar dates have no relevance to market movements, year to date the FTSE 100 Index is +9.45%, The Dow Jone is 17.58% and our old favourite the S+P 500 Index is registering a whopping +26.17% for the first six months of the year.

However, if I had been writing this report two weeks ago, the figures of performance would have been higher but markets have been stopped in their tracks by the changing outlook for the direction of global interest rates. We have banged the drum for months stating that interest rates will be higher for longer, and now that thought has been more or less confirmed by Central Bank Governors. Economic data is now weighing heavily against potential rates cuts and bit by bit across the developed world investors are giving up hope that Central Banks will cut rates this year!

So what is this data that has turned the markets around. Well, firstly inflation just isn't falling fast enough toward the magical 2% level that Central Banks target. Secondly, the Federal Reserves meeting minutes from May, clearly indicate that the prospects for the rate cuts have not improved. Thirdly, 10 year bond yields have now headed back up the 4.5% level last seen in March. The way the market is developing points to the facts that the sharp downturn in interest rates seen in 2021 in the midst of Covid now looks to be the outlier in data terms, and the Federal Reserves decision to delay rate rises until 2022, will probably be viewed historically as a mistake.

So, what do we know? When interest rates are high, the economy is strong, and we can expect equity markets to outperform bond markets, and this is what has been happening. The rise of the magnificent 7 and particularly INVIDIA is testament to this, on hopes for the development of artificial intelligence. The property market will continue to languish whilst rates remain high.

We have had strong performance in equity markets for 6 months whilst the hope was that interest rates would be cut. So it is only a natural balance of the laws of the universe that if interest rates are not going to go down, that equity and portfolio values start to retreat and this is what we to expect to happen. Throw in a UK General Election that may be closer to call than people think, and the equation gives you the one word global markets do not like - uncertainty!

Markets like to know direction, policy and duration, and at present all three are out to lunch and away from their desks. The sun has shone for a while, but there will be some cold fronts to deal with soon. The gains made in the first 6 months will sustain portfolios during the next. So, stick with it - as it is always five o'clock somewhere.

Until Next Time…..

Global Stock Market Performance 2024

Market	Index	29 December 2023	31 May 2024	Percentage Performance Year to date
USA	Dow Jones	37587.64	38164.11	+1.53
	NASDAQ	14985.87	16507.40	+10.15
	S&P 500	4760.53	5204.73	+9.33
UK	FTSE 100	7733.24	8275.38	+7.01
France	CAC 40	7543.18	7981.51	+5.81
Germany	Xetra Dax	16751.64	18434.35	+10.05
Italy	FTSE MIB	30351.62	33940.03	+11.82
Spain	IBEX 35	10102.10	11322.00	+12.08
Switzerland	SMI	11137.79	12000.86	+7.75
Japan	Nikkei 225	33464.17	38487.90	+15.01
Hong Kong	Hang Seng	17047.39	18079.61	+6.06
China	Shanghai Composite	2974.93	3086.81	+3.76
India	Sensex 30	72240.26	73961.31	+2.38

Data provided by Morningstar

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