

June saw equity and bond markets rise. Markets continued to focus on global trade and tariffs in June and were buoyed by the accommodative language of the global Central Banks and by a resumption of talks between US and China. Expectations for a breakthrough in the trade discussions at the G20 were low and the group opted for a bland set of trade principles, whilst highlighting that risks to the global economy were tilted to the downside. With the immediate possibility of an escalation in tariffs averted, markets welcomed the immediate reduction in tail risk.

In response to the weaker global economic outlook, the US Federal Reserve (Fed) struck a more dovish tone with the consensus expectation that the Fed are to cut rates by at least 0.5% in the second half of the year. US sovereign bond yields came under further pressure, with the US 10 year bond falling below 2% during the month from 3.2% in October last year. US equity markets rallied, with the S&P 500 achieving a new all-time high. Over the month the S&P 500 returned 6.0%¹, almost wiping out the decline of 6.6% in May.

European Central Bank (ECB) President Mario Draghi boosted market expectations by indicating that the ECB could launch a new round of easing measures if the inflation outlook didn't improve. The Euro fell 0.5% against the US dollar to \$1.12, irking President Trump. German 10 year government bond yields fell to a new record low of -0.35% by month end (from -0.20% at the start of the month and +0.25% at the start of the year). French and Swedish 10 year government bonds turned negative during June, contributing to the \$12.5 trillion² of negative yielding bonds in the world. European equities performed well on the back of the supportive ECB, with the MSCI Europe ex UK index returning 4.8% during the month, driven by the German (5.7%) and French (6.4%) markets, resulting in the MSCI Europe ex UK returning 5.2% over the past year.

In the UK, the choice for the leadership of the Conservative party narrowed, to a choice of Boris Johnson and Jeremy Hunt. Boris Johnson, the overriding favourite, has pledged that the UK will leave the EU on 31 October, with or without a deal. Sterling fell towards a 6 month low of 1.25 (\$ to GBP) in response, however due to US dollar weakness towards the end of the month the exchange rate recovered to 1.27 (\$ to GBP). The FTSE 100 index rose 4.0%, over the month driven by the Basic Resources and Health Care sectors, with the FTSE All Share returning 3.7% in June and 0.6% for the last 12 months. Over the last 12 months the FTSE 100 and FTSE All Share are down in capital terms.

The Bank of Japan opted to keep interest rates at -0.1% in June, maintained its cap on the 10 year bond yield around 0% and pledged to keep buying government bonds at a pace of ¥80 trillion a year. A weakening US\$, from a dovish Fed and the slowdown in China has facilitated further weakness in Japanese exports, contributing to a slowing Japanese economy. Consequently the Japanese stock market didn't rally as much as its developed market peers, with the MSCI Japan rising 2.9% in June, resulting in a -6.8% return for the past year. The MSCI AC Asia Pacific ex Japan rose 5.1% over the month, resulting in a 2.0% return for the last 12 months.

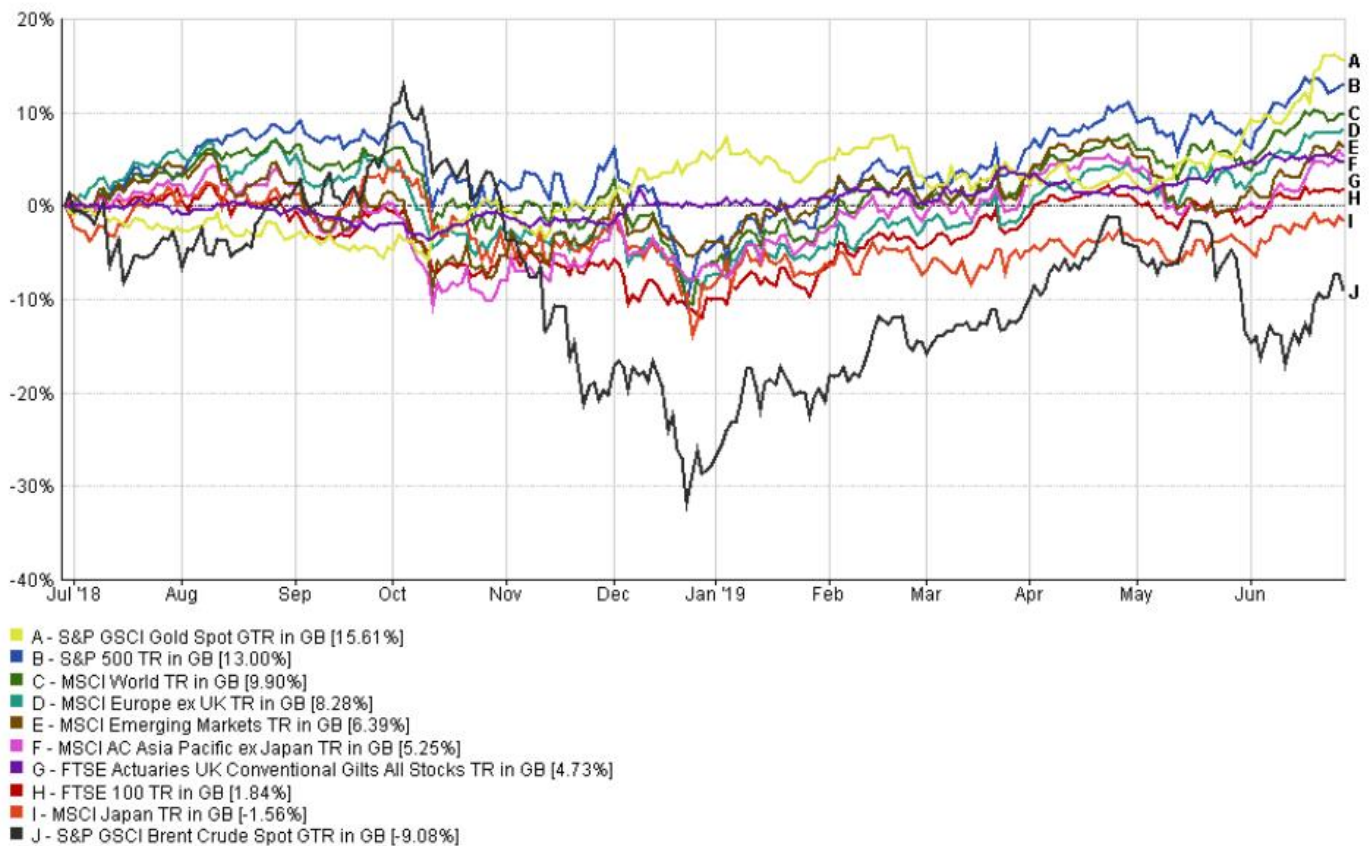
Given the demand for ever lower yielding assets and a weaker US\$, Gold rallied to a 6 year high of \$1,409 from \$1,305 at the end of May. Russia and Saudi Arabia agreed to extend their oil production agreement for at least the next 6 months, which is widely expected to be agreed by the wider Opec group. Brent crude rose 6.2% during the month, but oil prices remain down over the past 12 months by -13.4%.

Chris Davis

¹ All performance data is total return and in local currency, unless otherwise stated.

² Source: Bloomberg, FT June 19, 2019

1-Year Performance in Sterling Terms to 30 June 2019

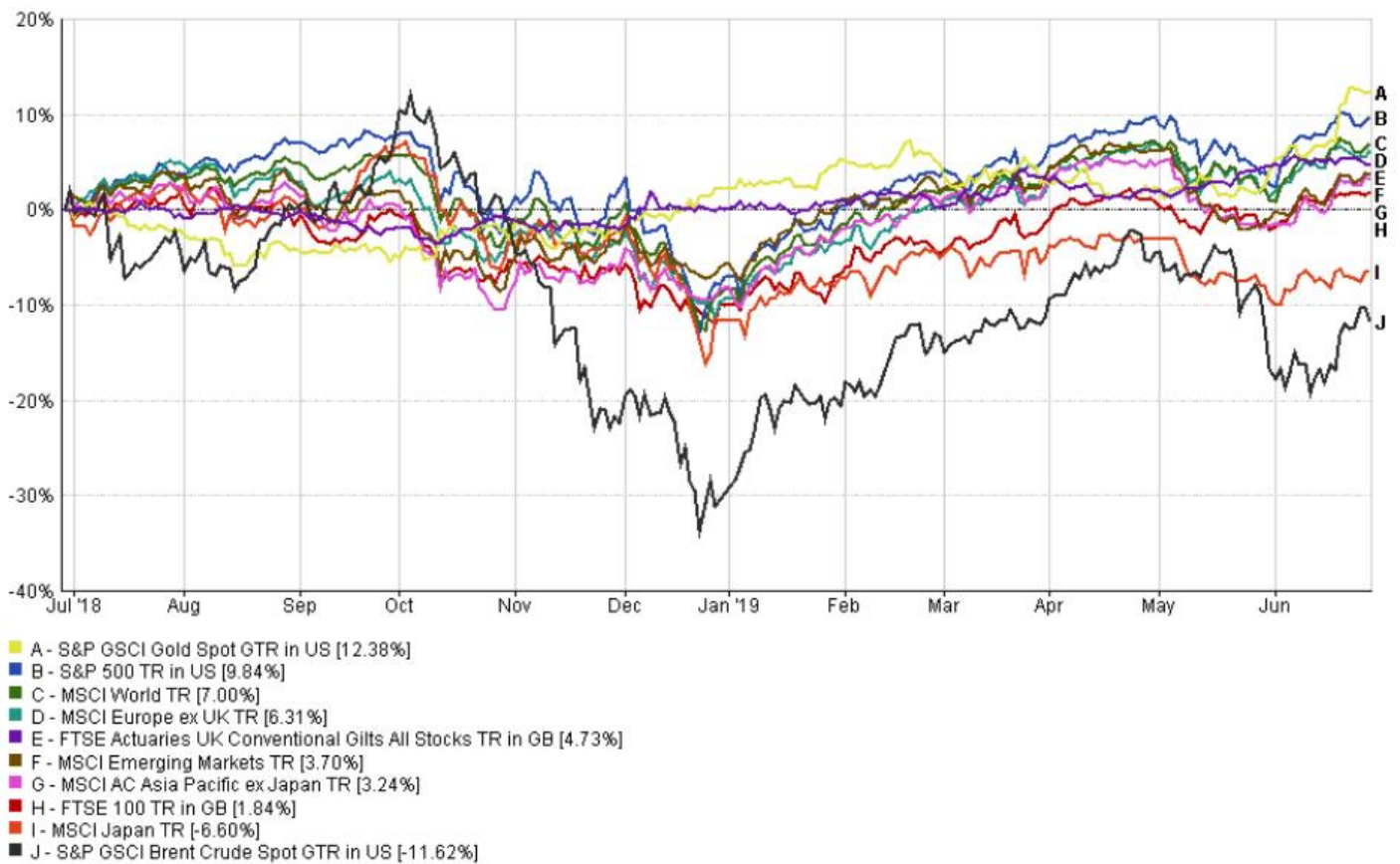


Cumulative Performance in Sterling Terms to 30 June 2019

	1m	3m	6m	1y	3y	5y
FTSE Actuaries UK Conventional Gilts All Stocks	0.2%	1.3%	4.7%	4.9%	6.0%	31.0%
MSCI World	5.6%	6.5%	17.1%	10.3%	46.6%	85.0%
FTSE 100	4.0%	3.3%	13.1%	1.6%	29.1%	34.3%
S&P 500	6.0%	6.6%	18.3%	13.9%	53.6%	116.7%
MSCI Europe ex UK	6.3%	8.3%	17.0%	7.3%	39.8%	47.7%
MSCI Asia Pacific ex Japan	5.3%	3.1%	12.3%	4.6%	45.0%	65.2%
MSCI Emerging Markets	5.2%	3.0%	10.7%	5.0%	42.3%	51.9%
MSCI Japan	2.7%	3.4%	7.8%	-0.6%	32.5%	67.2%
S&P GSCI Gold Spot	7.0%	11.6%	10.1%	16.3%	9.8%	39.1%
S&P GSCI Brent Crude Spot	5.1%	2.0%	25.9%	-10.2%	36.8%	-42.2%

Source: Financial Express

1-Year Performance in Local Currency Terms to 30 June 2019



Cumulative Performance in Local Currency Terms to 30 June 2019

	1m	3m	6m	1y	3y	5y
FTSE Actuaries UK Conventional Gilts All Stocks	0.2%	1.3%	4.7%	4.9%	6.0%	31.0%
MSCI World	5.9%	3.6%	16.7%	6.7%	40.6%	48.3%
FTSE 100	4.0%	3.3%	13.1%	1.6%	29.1%	34.3%
S&P 500	7.0%	4.1%	18.2%	9.8%	46.2%	61.3%
MSCI Europe ex UK	4.8%	4.3%	17.2%	5.2%	31.4%	31.2%
MSCI Asia Pacific ex Japan	5.1%	0.9%	12.4%	2.0%	39.1%	37.9%
MSCI Emerging Markets	4.6%	0.2%	10.1%	1.8%	37.0%	34.3%
MSCI Japan	2.9%	-1.7%	5.8%	-6.8%	32.5%	32.4%
S&P GSCI Gold Spot	8.0%	9.0%	10.0%	12.1%	4.5%	3.5%
S&P GSCI Brent Crude Spot	6.2%	-0.4%	25.8%	-13.4%	30.3%	-57.0%

Source: Financial Express

Calendar Performance in Sterling Terms to 30 June 2019

	2019	2018	2017	2016	2015	2014
FTSE Actuaries UK Conventional Gilts All Stocks	4.7%	0.6%	1.8%	10.1%	0.6%	13.9%
MSCI World	17.1%	-3.0%	11.8%	28.2%	4.9%	11.5%
FTSE 100	13.1%	-8.7%	11.9%	19.1%	-1.3%	0.7%
S&P 500	18.3%	1.0%	10.6%	32.7%	6.6%	20.0%
MSCI Europe ex UK	17.0%	-9.9%	15.8%	18.6%	5.1%	-0.7%
MSCI Asia Pacific ex Japan	12.3%	-8.6%	25.1%	27.3%	-4.1%	9.2%
MSCI Emerging Markets	10.7%	-9.3%	25.4%	32.6%	-10.0%	3.9%
MSCI Japan	7.8%	-7.5%	13.3%	22.1%	15.9%	1.9%
S&P GSCI Gold Spot	10.1%	3.2%	3.0%	28.5%	-5.7%	4.4%
S&P GSCI Brent Crude Spot	25.9%	-10.0%	5.5%	53.2%	-42.5%	-44.8%

Source: Financial Express

Calendar Performance in Local Currency Terms to 30 June 2019

	2019	2018	2017	2016	2015	2014
FTSE Actuaries UK Conventional Gilts All Stocks	4.7%	0.6%	1.8%	10.1%	0.6%	13.9%
MSCI World	16.7%	-7.4%	18.5%	9.0%	2.1%	9.8%
FTSE 100	13.1%	-8.7%	11.9%	19.1%	-1.3%	0.7%
S&P 500	18.2%	-4.9%	21.1%	11.2%	0.7%	13.0%
MSCI Europe ex UK	17.2%	-11.3%	13.6%	2.3%	8.3%	6.8%
MSCI Asia Pacific ex Japan	12.4%	-10.6%	30.2%	7.4%	-4.1%	6.9%
MSCI Emerging Markets	10.1%	-10.1%	30.6%	9.7%	-5.8%	5.2%
MSCI Japan	5.8%	-15.1%	19.7%	-0.7%	9.9%	9.5%
S&P GSCI Gold Spot	10.0%	-2.8%	12.8%	7.7%	-10.9%	-1.7%
S&P GSCI Brent Crude Spot	25.8%	-15.3%	15.5%	28.5%	-45.7%	-48.1%

Source: Financial Express

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