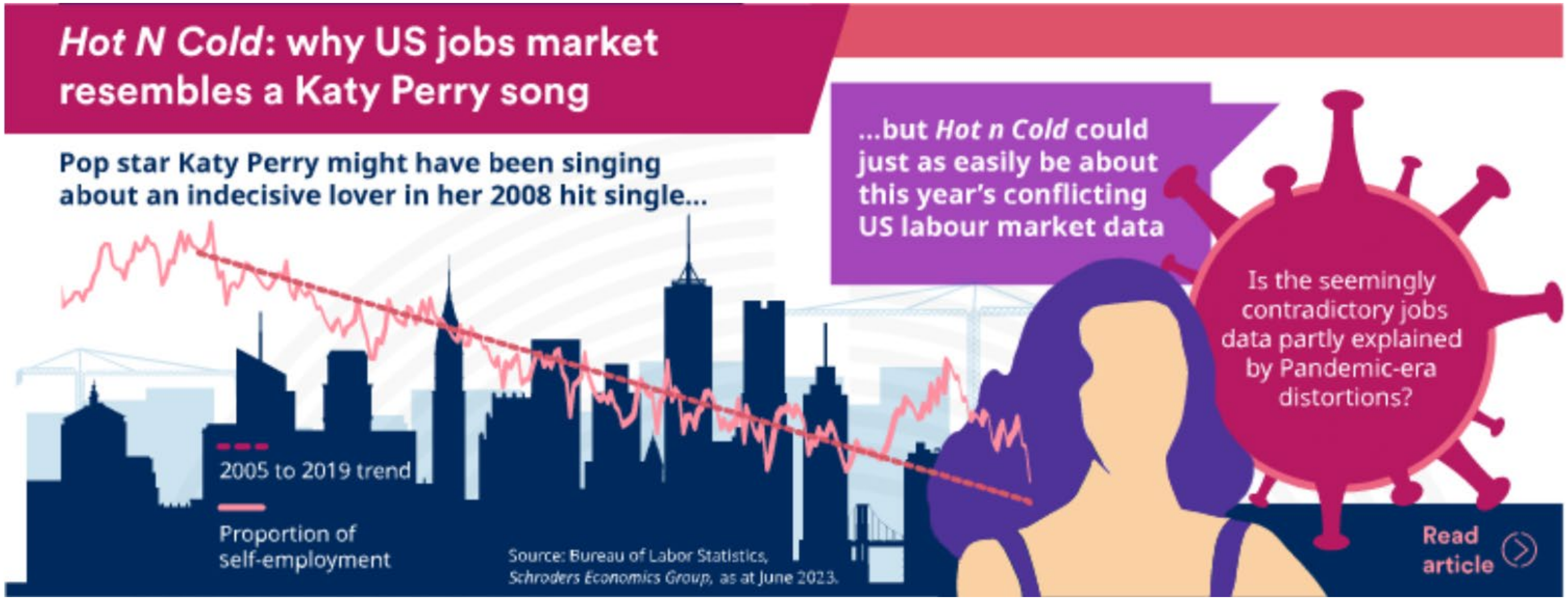
FINURA

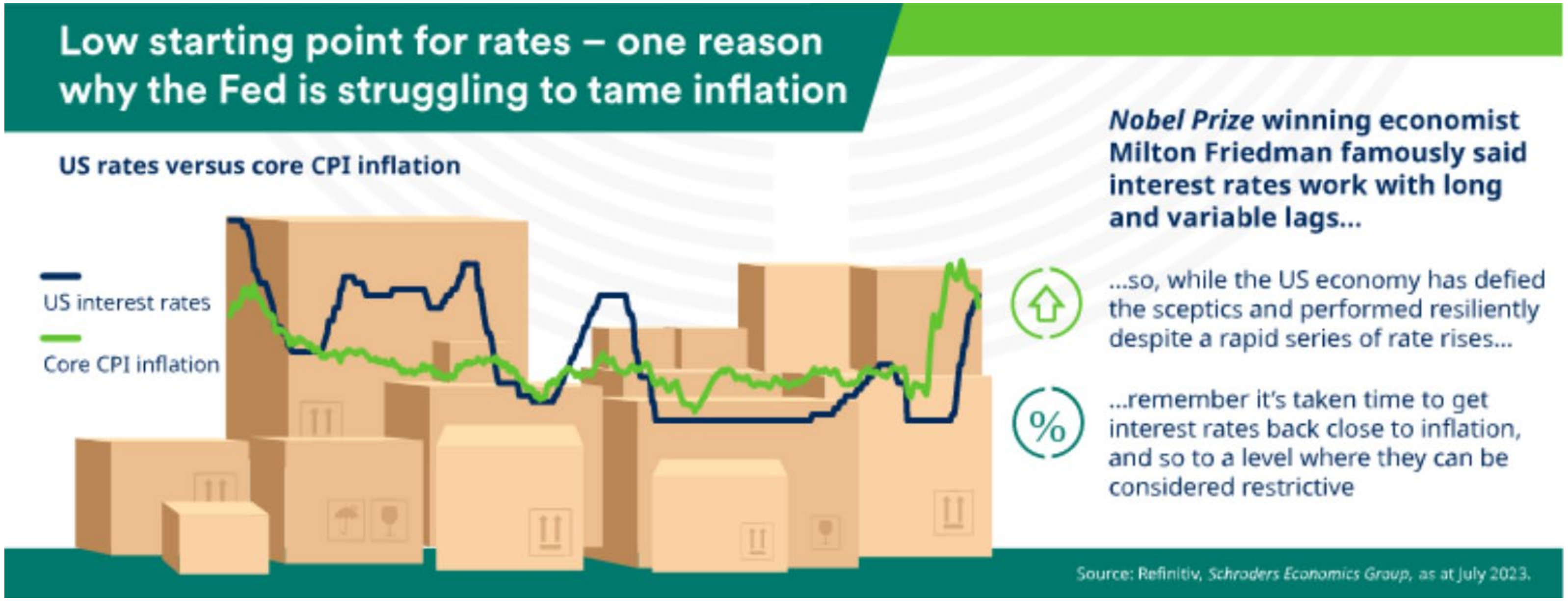
YOUR MARKET REVIEW
JULY 2023

Chartered Financial Planners

Pension TRANSFER Gold Standard

INFOGRAPHIC: THE GLOBAL ECONOMY





Source: [Schroders as at July 2023.]

MULTI-ASSET INVESTMENT VIEWS

KEY

▲ Up from last month ▼ Down from last month

● Long / Positive ● Neutral ● Short / Negative

	Category	View	Comments
Main Asset Classes	Equities	Neutral	We remain neutral. Although softening inflation and growth may help equities move higher, valuations have become more expensive.
Main Asset Classes	Government Bonds	Neutral	We remain neutral as the inverted yield curve (where long-term interest rates fall below short-term interest rates) means government bonds are generating a negative carry.
Main Asset Classes	Commodities	Long / Positive ▲	We have upgraded commodities as we expect supplies to tighten in the energy and agricultural sectors creating upward pressure on prices.
Main Asset Classes	Credit	Long / Positive	We remain positive on credit, with a preference for European investment grade as the level of carry is still attractive.
Equities	US	Neutral	We maintain our neutral score. Although growth in the US remains positive and inflation is softening, valuations are expensive relative to bonds and other equity markets.
Equities	UK	Short / Negative	We remain negative on the UK due to the high level of interest rates and inflation, where the effects have yet to be fully felt.
Equities	Europe	Short / Negative	The continued weak manufacturing backdrop, combined with the European Central Bank's (ECB) attempt to bring down inflation and limit wage inflation, means we retain our negative view.
Equities	Japan	Neutral	We remain neutral as corporate governance reforms and escaping deflation create potential tailwinds, despite attractive valuations.
Equities	Global Emerging Markets[1]	Neutral	Whilst many EM central banks have succeeded in controlling inflation, equity market performance is likely to be impacted by declining global demand, leaving us neutral.
Equities	Asia ex-Japan & China	Neutral	We keep our neutral score. China's reopening has been underwhelming and we expect growth to slow due to weakening global demand and disappointing consumption data.
Equities	EM Asia ex China	Short / Negative	We remain negative because of the weak global manufacturing cycle and reliance on the technology sector in countries such as Taiwan and South Korea, although Korean exports look to have bottomed and have now rebounded slightly.

[1] Global Emerging Markets includes Central and Eastern Europe, Latin America and Asia.

	Category	View	Comments
Government Bonds	US	Neutral	We keep our neutral score. The inverted yield curve mean US government bonds are expensive to hold, and we believe the Federal Reserve has not finished hiking rates.
Government Bonds	UK	Neutral	We remain neutral. The Bank of England has stepped up its pace of rate hikes to quell rising core inflation with UK wages rising at a consistently high rate.
Government Bonds	Germany	Neutral	We remain neutral. Whilst we are seeing signs of core inflation easing in Europe, German government bonds are expensive to hold.
Government Bonds	Japan	Neutral	We keep our neutral score. The Bank of Japan's (BoJ) new governor has pledged to maintain loose monetary policy to stabilise inflation, and absolute yield levels are unattractive.
Government Bonds	US Inflation Linked	Neutral	Although we have a neutral view, we do prefer US inflation-linked bonds relative to nominal bonds given their inflation hedging properties.
Government Bonds	Emerging Markets Local	Long / Positive	We remain positive as inflation has been falling, leaving some countries close to their targets. Latin America is the most favoured region given positive real yields.

	Category	View	Comments
Investment Grade Credit	US	🟡	We remain neutral, spreads are looking expensive and valuations in the US have become richer compared to Europe.
	Europe	🟢	We continue to prefer high quality credit in Europe. Spreads are attractive and this asset class offers a positive carry.
	Emerging Markets USD	🟡	A handful of positive, idiosyncratic stories across the most distressed borrowers has triggered a meaningful rally, which we believe could be an indication of more productive debt talks. However, we prefer to remain neutral.
High Yield Bonds (Non-IG)	US	🟡	Spreads have tightened and have clearly decoupled from growth indicators, rallying off equity sentiment. This has left valuations expensive and so we remain neutral.
	Europe	🟡	Whilst European valuations are more attractive than in the US, we prefer higher quality credit and as such remain neutral.
Commodities	Energy	🟢 ▲	We believe there will be a significant market deficit for the rest of 2023, as cuts from Saudi Arabia and Russia feed through to the market. We forecast a drawdown in global inventories that will likely push prices higher.
	Gold	🟡	Whilst we expect gold to perform on any sign of weakness in the labour market, higher rates and a robust US dollar may prove a headwind for gold prices, so we remain neutral.
	Industrial Metals	🟡	We remain neutral due to the tentative growth dynamics and a lack of any significant policy response from China.
	Agriculture	🟢 ▲	The combination of El Niño and an extended drought in the US have created significant risks to crop yields, which have not yet been reflected in market pricing.
Currencies	US $	🟡	We remain neutral on the dollar. Its attractive carry and hedging properties are useful in a portfolio context but are balanced by expectations that US rates are close to peaking.
	UK £	🟡	We remain neutral on sterling. Whilst we believe the currency should benefit from interest rate rises, we prefer to stay on the side-lines given potential volatility.
	EU €	🟡	Whilst macro factors such as growth and inflation data should put downward pressure on the euro, we keep our neutral view given the potential for further rate rises.
	CNH ¥	🟡	We remain neutral, due to trade cycle dynamics and as the level of carry is not particularly attractive.
	JAP ¥	🟡	Whilst the yen could be viewed as a safe-haven currency, given its low level of absolute carry, we prefer to remain neutral.
	Swiss F	🟡	We keep our neutral score as similar to the yen, the Swiss franc is considered a low yielding, safe haven currency.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Source: Schroders, July 2023. The views for equities, government bonds and commodities are based on return relative to cash in local currency. The views for corporate bonds and high yield are based on credit spreads (i.e. duration-hedged). The views for currencies are relative to US dollar, apart from US dollar which is relative to a trade-weighted basket.

MARKETS REVIEW

A look back on markets in July, when emerging market shares outperformed.

THE MONTH IN SUMMARY

Global shares advanced in July. In contrast to much of the year so far, emerging markets outperformed developed market equities. Smaller companies also performed well. Gains were supported by lower inflation in several developed markets, including the US. Corporate bonds outperformed governments bonds in the month.

THE US

US equities advanced in July, with economic data indicating resilient growth and inflation starting to fall. The Federal Reserve (Fed) enacted a rate hike of a quarter percentage point in July. The central bank offered no firm position on whether rates would rise further in September, although expectations are that this will be the final hike of this cycle.

Hopes have also risen that the central bank may have orchestrated a so-called "soft landing", by cooling growth and taming inflation without triggering a recession.

Read more: US soft landing hopes rise as Fed raises rates again

Inflation, as measured by the consumer price index (CPI), rose 0.2% (month-on-month) in June, following a 0.1% increase in May. The increase was below market forecasts and lowered the annual rate to 3.0%. The US economy expanded at an annualised 2.4% (quarter-on-quarter) in Q2, above economists' forecasts of a 1.8% expansion.

Energy stocks advanced on expectations of tighter supply and the positive growth data. Certain media and technology giants made strong gains, as did a number of banking stocks. Healthcare and consumer staples lagged behind, although no sector posted negative returns overall.

EUROZONE

Eurozone shares made gains in July, supported by a fall in inflation and positive economic growth data. Top gaining sectors included real estate, energy and materials. Laggards were consumer staples, information technology and utilities.

The European Central Bank raised interest rates by 25 basis points in July. However, investors began to anticipate that the central bank might be close to the end of its rate-hiking cycle as inflationary pressures are falling. Euro area annual inflation for July was estimated at 5.3%, down from 5.5% in June.

Economic growth data showed that eurozone GDP grew by 0.3% quarter-on-quarter (q/q) in Q2. Forward-looking data published in July pointed to a cooling economy. The flash eurozone purchasing managers' index (PMI) for July fell to an eight-month low of 48.9, with manufacturing activity being particularly weak. (In the PMI surveys a reading below 50 implies contraction, a reading above 50 implies expansion).

The Q2 earnings season began during the month. So far, earnings have generally proved resilient. Some food & beverage companies highlighted weaker volumes as consumers shy away from higher prices. Bank earnings continued to show the benefit of higher interest rates.

UK

UK equities rose over the month, led by a number of domestically focused areas as investors began to unwind their expectations of continued aggressive rate hikes by the Bank of England. This shift in expectations occurred after the Office for National Statistics revealed headline inflation easing sharply in June to 7.9%, while core inflation also fell to 6.9%.

As a result UK gilts rallied (yields fell) over the period. Gilt yields are important for the UK domestic economy as they influence "swap rates" which lenders use when pricing fixed-rate mortgages. As fears around the UK inflation outlook eased, these rates retreated from very elevated levels hit in June. This caused a number of domestically focused areas of the market to bounce back, including housebuilders and the real estate sector. Despite easing inflation fears, the UK economic outlook remained mixed with a number of gauges of activity pointing towards stagnation.

Aside from the rebound in domestic sectors, internationally focused areas of the market including the basic materials and energy sectors recovered in line with commodity prices. Meanwhile, industrials also performed well in line with an improving outlook for the global economy. Most sectors rose over the month, with the exception of utilities and healthcare.

JAPAN

The Japanese equity market continued to rise modestly in July with the TOPIX Total Return index up by 1.5% in local terms. The market was driven by mid and small cap stocks, which had lagged during the June rally, and that trend resulted in a weaker return from the Nikkei 225 which was slightly down by -0.1%.

The market started the month with the Nikkei hitting another 33-year high, but it then fell due to some pressure from profit taking. The market then moved sideways and waited for quarterly earnings results and the Bank of Japan (BOJ) policy meeting scheduled later the month.

The US stock market was strong amid investor expectations that the Fed is less likely to tighten monetary policy further toward the year end. The Japanese market was also supported by the improvement in market sentiment in the US.

Quarterly earnings results were solid in Japan. However, there were market concerns about potential BOJ policy moves. If BOJ policy was tightened, then the stock market could be negatively affected. Eventually, BOJ Governor Ueda took moderate action by tweaking the current so-called yield curve control (YCC) policy and its impact on the equity market was limited.

We continued to see improvement in the macroeconomic figures in Japan, including the BOJ tankan survey and consumption, wage growth, and resilient CPI data. These supported the positive view on Japan's macroeconomy. Quarterly earnings results also confirmed this positive macro backdrop.

ASIA (EX JAPAN)

Asia ex Japan equities recorded a positive performance in July, with all index markets ending the month in positive territory. The Chinese government announced its determination to shore up China's flagging economy with new initiatives to boost consumption.

China, Malaysia and Singapore were the best-performing markets, while gains achieved in Taiwan, Indonesia and the Philippines

were more muted in the month. Share prices in China were sharply higher in the month after Beijing promised some measures to boost sluggish economic growth by supporting real estate sales and other struggling sectors.

Read more: No sign of a "big bang" China stimulus

Singapore stocks also achieved robust growth in July, driven by strong tourism data and a positive performance by banks, amid resilient margins and market expectations of higher dividend payments. In Taiwan, foreign investors put aside concerns over geopolitical tensions to buy into soaring artificial intelligence (AI) and chipmaking stocks. South Korea also achieved solid gains in July, driven by the ongoing enthusiasm for AI-related stocks.

EMERGING MARKETS

Emerging market (EM) equities rallied in July, outperforming developed market equities as Chinese authorities indicated economic support for the real estate sector and consumption. They also pledged to alleviate local government debt burdens. Stronger commodity prices were beneficial for some EM too.

Turkey was the best-performing index market, reversing June's significant underperformance. Colombia benefited from stronger energy prices while broader commodity price strength was also supportive for the South African market, as was growing optimism that the worst case scenario of winter blackouts will be avoided. Peru was also up in US dollar terms, boosted by stronger copper prices.

China outperformed as economic data held up relatively well and as investors welcomed news of economic stimulus, even if it is somewhat limited. Visits from several politically influential US individuals appeared to ease geopolitical tension. Poland, Thailand and Czech Republic were ahead of the index, while Korea was in line.

Chile was up, although behind the benchmark, as the central bank announced a bigger-than-expected cut in interest rates at month end.

Read more: Chile fires the starting gun on EM easing cycle

Greece and UAE were also positive but behind the index with sentiment in the former still supported by the New Democracy Party's recent general election win. The latter was buoyed by stronger energy prices. Brazil and Mexico lagged the index. While local currency strength was supportive in both markets, economic activity indicators were weaker in Brazil and mixed in Mexico.

India underperformed as persistent food price rises kept headline inflation elevated. Taiwan was behind the index as continued strength in AI theme stocks was offset by weakness elsewhere. Egypt was the worst-performing index and the only EM to post a negative return.

GLOBAL BONDS

In July 2023, riskier assets continued their strong performance while government bonds underperformed. The lower-than-expected inflation figures from the US raised optimism that the US economy could avoid a more serious downturn. The narrative of a soft landing is gaining traction. Both the US Federal Reserve (Fed) and the European Central Bank (ECB) raised rates by 0.25% in line with expectations, but pledged data dependency in terms of forward guidance.

Global government bond markets delivered negative returns overall in July, although yields at the shorter end of the curve (i.e. securities that will mature sooner) trended lower due to clearer signs that central banks may be slowing down interest rate hikes.

The US 10-year yield continued on an upwards trend and increased from 3.81% to 3.95% with the two-year remaining at 4.87%. Germany's 10-year Bund yield continued to rise from 2.40% to 2.47%, while the two-year dropped back from 3.27% to 3.21%. French, Italian and Spanish 10-year bond yields all increased while the two-year yields decreased.

In the UK, the Bank of England's (BoE) Monetary Policy Committee (MPC) did not meet during July, but investors scaled back some of their more extreme rate expectations as better news on inflation emerged. This resulted in the outperformance of gilts over other major government bond markets during the month. The UK two-year yield dropped from 5.26% to 4.98%. The UK 10-year yield also decreased from 4.39% to 4.31%.

The Bank of Japan (BoJ) introduced some market volatility by adjusting its yield curve control (YCC) policy. While keeping the original target range, it effectively widened the reference band by introducing a 1% cap on the 10-year Japanese government bond yield, leading to Japanese government bonds selling off in response.

Softer inflation and broadly resilient US growth have been supportive of credit markets. US and European investment grade and high yield bond markets generated positive returns and outperformed government bonds over the month. Investment grade bonds are the highest quality bonds as determined by a credit rating agency; high yield bonds are more speculative, with a credit rating below investment grade.

In currencies, the US dollar was weaker against its G10 peers. Despite the positive news on US growth, an associated boost to risk sentiment generally benefited higher yielding and commodity-related currencies.

The Refinitiv Global Focus convertible bond index advanced 2.7% in US dollar terms, representing a solid upside participation with the equity market gains in July. In line with summer seasonality, the primary market for convertibles saw a low volume of $3.4 billion of new paper. Convertible bond valuations continue to reflect a low level of investor interest in the asst class. Asia remains the cheapest region for convertibles.

COMMODITIES

The S&P GSCI Index recorded a positive performance in July. Energy was the best-performing component of the index, with sharply higher prices for gas oil, heating oil and unleaded gasoline offsetting a small decline in the price of natural gas.

Within industrial metals, all sub-components achieved robust price gains, with nickel and zinc achieving the strongest advance in the month. In agriculture, there were strong price gains for sugar, cocoa, coffee and cotton. Wheat prices also climbed after Russia withdrew from a UN deal allowing the export of Ukrainian grain via the Black Sea. In precious metals, the price of silver was sharply higher, while the increase in the price of gold was more muted.

DIGITAL ASSETS

For July Bitcoin returned -4.1% bringing the year-to-date performance to +76.7%, while Ethereum returned -4.0% for the

month. Altcoins outperformed with the decentralised finance sector adding value (MakerDAO +47.7%, Uniswap +24.0%, Compound +18.8%)

After two years of litigation, Ripple, a token issuer, won a significant victory against the SEC when Judge Torres declared that Ripple did not violate securities law by selling its token on public exchanges. This ruling clarifies that listing a token on an exchange is not an unregistered security offering; however, a direct sale prior to listing may represent a security offering. This led a relief rally of Altcoins as this verdict contradicts parts of recent SEC filings against Coinbase.

This month a number of well-known protocols released important upgrades. AAVE, a decentralised lending platform, launched a new multi collateral stablecoin. MakerDAO a stablecoin issuer, has been buying T-bills and passing the yield on to token holders. Uniswap, a decentralised exchange, launched a new product with no network transaction fees.

TOTAL RETURNS (NET) % – TO END JULY 2023

	1 MONTH			12 MONTHS		
Equities	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
MSCI World	3.4	2.3	2.1	13.5	5.0	7.3
MSCI World Value	3.8	2.8	2.6	9.9	1.6	3.9
MSCI World Growth	2.9	1.8	1.7	16.6	7.8	10.3
MSCI World Smaller Companies	4.9	3.8	3.7	8.6	0.4	2.7
MSCI Emerging Markets	6.2	5.1	5.0	8.4	0.2	2.5
MSCI AC Asia ex Japan	6.1	5.0	4.9	6.2	-1.8	0.4
S&P500	3.2	2.1	2.0	13.0	4.5	6.9
MSCI EMU	3.0	1.9	1.8	27.4	17.8	20.5
FTSE Europe ex UK	3.2	2.1	2.0	22.8	13.5	16.1
FTSE All-Share	3.9	2.8	2.6	12.2	3.7	6.1
TOPIX*	3.3	2.2	2.0	15.7	7.0	9.4

	1 MONTH			12 MONTHS		
Government Bonds	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
JPM GBI US All Mats	-0.4	-1.4	-1.6	-3.9	-11.1	-9.1
JPM GBI UK All Mats	2.0	0.9	0.8	-11.7	-18.4	-16.5
JPM GBI Japan All Mats**	0.0	-1.0	-1.2	-8.1	-15.0	-13.1
JPM GBI Germany All Traded	0.7	-0.3	-0.5	-2.7	-10.0	-8.0
Corporate Bonds	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
BofA ML Global Broad Market Corporate	1.0	-0.1	-0.2	0.2	-7.3	-5.2
BofA ML US Corporate Master	0.4	-0.6	-0.8	-1.1	-8.5	-6.4
BofA ML EMU Corporate ex T1 (5-10Y)	2.3	1.2	1.0	2.8	-5.0	-2.8
BofA ML £ Non-Gilts	3.3	2.2	2.1	-2.4	-9.8	-7.7
Non-investment Grade Bonds	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
BofA ML Global High Yield	1.6	0.6	0.4	6.7	-1.3	1.0
BofA ML Euro High Yield	1.1	0.0	-0.1	8.1	0.0	2.3

Source: Thomson Reuters DataStream.
Local currency returns in July 2023: *1.5%, **-1.7%.
Past performance is not a guide to future performance and may not be repeated.

Source: Schroders, July 2023: The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Past performance mentioned is not a guide to future performance and may not be repeated. The sectors, securities, regions and countries shown are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Important Information: This communication is marketing material. The views and opinions contained herein are those of the named author(s) on this page, and may not necessarily represent views expressed or reflected in other Finura communications, strategies or funds. This document is intended to be for information purposes only and it is not intended as promotional material in any respect. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations. Information herein is believed to be reliable but Finura does not warrant its completeness or accuracy. The data has been sourced by Finura and should be independently verified before further publication or use. No responsibility can be accepted for error of fact or opinion. This does not exclude or restrict any duty or liability that Finura has to its customers under the Financial Services and Markets Act 2000 (as amended from time to time) or any other regulatory system. Reliance should not be placed on the views and information in the document when taking individual investment and/or strategic decisions. Past Performance is not a guide to future performance. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall. Any sectors, securities, regions or countries shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell. The forecasts included should not be relied upon, are not guaranteed and are provided only as at the date of issue. Our forecasts are based on our own assumptions which may change. Forecasts and assumptions may be affected by external economic or other factors. Issued by Finura Partners Limited, registered in England under Companies House number 09560937, 15 Bowling Green Lane, London, England, EC1R 0BD.

FINURA

5th Floor, 20 Old Bailey, London EC4M 7AN
T: +44 (0)20 8057 8004 E: hello@finura.co.uk W: finura.co.uk