

July Monthly Review

A summary of key events and market trends during
the month of July.

Global Markets Update

- The German Dax Index is now trading at all-time highs. The three broad US equity indices, the S&P 500, Dow Jones Industrials and the Nasdaq 100 are within a 3 to 5 % range of scaling the previous high levels.
- The Nikkei and the Topix are some ways off given the elevated levels of the early 1990s. Having said that they are trading at the highest levels in thirty years.
- Despite, and possibly as a result of, the universal bearish consensus from the start of this year risk markets appear to be well bid. Our bullish equity stance over these months has been well rewarded.
- After the latest US Federal Reserve rate hike last week markets now expect a long pause followed by the first full cut expected in May 2024.
- We have faded the rate bulls and bears for all this year and we now believe the market has veered around to our long held view that the Fed will more likely move in gradual and incremental steps rather than making big bold moves.
- With inflation trending lower and economic growth holding up well there is not much incentive nor reason to make large tweaks either with messaging or with interest rate levels.
- Earnings season is progressing satisfactorily and we will provide an update next month as most of the companies would have reported for the quarter.
- The Volatility Index (VIX) continues to indicate that the market doesn't expect to hedge downside outcomes. With volatility levels as low as they are we are considering the purchase of long term hedges for portfolios.

Broad global equity indices are at or in striking distance of their all-time highs

With the latest set of central bank meetings (US Fed, ECB and BoJ) out of the way market participants continue to bid up equity prices

Key markets

Index	Month to Date (%)	Year to Date (%)
Topix	1.19	22.78
Hang Seng China Enterprises	3.43	2.90
Dax	0.25	18.12
Euro Stoxx 50	0.54	17.86
S&P 500	1.14	19.52
Dow Jones	0.78	7.28
Nasdaq 100	1.89	44.03
US 10 Year Treasury	-0.04	0.08
Bloomberg Barclays Global Aggregate Index	0.11	2.13
Bloomberg Barclays Global Corporate Bond High Yield Index	0.50	7.29
EUR USD	0.16	2.73
USD JPY	2.01	8.52
Gold	0.98	7.73

- With inflation moderating and growth continuing to come through at a strong clip central bankers have their jobs cut out for them – hold the ship steady and let market forces continue to play out as we collectively navigate relatively high levels of interest rates.
- Despite the overall growth there are likely sectors and individual firms that would be facing a difficult growth scenario with restrictive policy settings. We believe rates are unlikely to come off in a hurry and along the way central bank balance sheets are being unwound at a steady pace.
- Chinese authorities and regulators continue to feel their way through to normalized policy settings and are appearing to make progress. We continue to believe in the value available in good quality assets and are happy to hold our positions there.

SGMC Forward Views

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Asset Class	Avoid	Reduce	Hold	Add On	High Conviction	Notes
Equities						
US Equities						Use the options markets to take advantage of possible upside and create obligations to buy lower into declines
EU Equities						While geopolitical risks have not completely dissipated we note the relative resilience of this space
Chinese Equities						Despite some hiccups the country and economy seems well set on it's path to normalizing and valuations continue to be attractive
Emerging Market Equities						With the weaker US Dollar and improving risk appetite we expect the bid to return to EM equities
Bonds						
High Yield						With the heavy lifting behind us in the US levels continue to be attractive to add
Investment Grade						While we still like this space we note that spreads have tightened a fair bit and further rates could head higher in the short term. Will look to add only at better levels
Government Bonds						Prefer the risk / reward profile of corporate and financial bonds and hence continue to have a "Hold" recommendation for the Government space
FX & Alternative Asset Classes						
US Dollar Index						Have not seen the rally that we expected and given the current negative momentum will wait for better levels to go long
Commodities						Improving risk appetite balanced with deteriorating demand fundamentals
Private Equity / Hedge Funds						We believe the current flush out being seen in this space will likely linger for some further period and will be some time before demand picks up again
Real Estate						Rentals will continue rising providing good yields, but prices will come under pressure with increased mortgage rates
Collectibles						Uncorrelated with markets

- We are currently not making any changes to our forward views and asset allocation. Though, this could change as we assess the tone and content that comes through from the monetary policy meetings over the coming weeks.

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