

# May Monthly Review

A summary of key events and market trends during the  
month of May

## Global Markets Update

- Equity markets are climbing back to and exceeding previous all-time highs as, in the main, corporate earnings continue to be robust. Having said that weak forward guidance is seeing individual companies being penalized in the short-term.
- Still with only around one and a half cuts being priced in to the interest rate markets till the end of the year there has been not much to cheer for investors holding off for lower rates
- We continue to focus on the core growth and cash-flow fundamentals of companies that we prefer to own and as such our portfolio strategy is not reliant on more or less cuts.
- Nvidia, the poster child of the current rally keeps belting out faster chips and higher sales. We are optimistic about outcomes for the semiconductor industry; having said that, it has now been a “much loved” sector for most of the last 12 months and as such we see future gains moderating.
- Polling in India now complete we look forward to the results and barring any untoward surprises should see the Narendra Modi government and the BJP be given a strong mandate.
- China’s equity markets softened this month after a good recovery of the lows from earlier in the year. Policy measures and regulatory action have turned supportive especially with respect to the property sector. We stand ready to buy the dip should that occur over the coming months.
- The Volatility Index (VIX) has stayed closer to the lower end of the recent ranges and while the geopolitical climate may cause it to head higher we expect it to be fairly stable in the short term

Markets back  
to all-time  
highs ....

Yet, investors wait on  
Central Banks’ final  
dovish capitulation

## Key markets

Index	Month to Date (%)	Year to Date (%)
Topix	1.61	18.40
Hang Seng China Enterprises	-2.36	11.20
Dax	2.76	10.42
Euro Stoxx 50	1.26	13.09
S&P 500	2.92	11.30
Dow Jones	0.03	3.52
Nasdaq 100	3.58	10.54
US 10 Year Treasury	-0.14	0.62
Bloomberg Barclays Global Corporate Investment Grade Index	1.31	-3.30
Bloomberg Barclays Global Corporate Bond High Yield Index	1.49	2.77
EUR USD	1.71	-1.73
USD JPY	-0.31	11.58
Gold	1.80	12.81

- While markets trade at all-time highs, it is encouraging to note that global growth is holding steady. The US continues to plug ahead and while some numbers have come off the boil recently we expect the Federal Reserve to stand ready to lower rates to support growth should the need arise.
- China growth numbers too have been firm and after months of weakness. Also regulatory pressure appears to be reduced as companies are provided with better visibility. We expect Asia to be a favored region for global investors for the coming months.

## SGMC Forward Views

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Asset Class	Avoid	Reduce	Hold	Add On	High Conviction	Notes
<b>Equities</b>						
US Equities						Remain constructive for the rest of the year - strenght in semi/AI sectors likely to lift valuations further
EU Equities						Benign risk environemnt likely to short term support the indices
Chinese Equities						Still waiting for a catalyst to move valuations higher - this will likely take more time
Emerging Market Equities						We remain positive on the area but exteremely selective. Our top picks include <b>India, Indonesia and Brazil</b> .
<b>Bonds</b>						
High Yield						Happy to continue selectively adding to lock in yields
Investment Grade						While further capital appreciation potential is limited, we like the space to lock in attrative yield and cash flow. Stay invested and add to selective issues within the corporate space
Government Bonds						Raate cut expectations scaled back, but we see more value in the corporate space
<b>FX &amp; Alternative Asset Classes</b>						
US Dollar Index						Rangebound trading likely to continue in the short term
Commodities						As rates decline, commodities to find support.
Private Equity / Hedge Funds						We remain relatively underweight this sector
Real Estate						Rates unlikely to decline as much as expected by the markets at the start of the year. Stay neutral.
Collectibles						Uncorrelated with markets

- We have not made any major changes in our forward views as compared to last month
- Overall, we believe the constructive environment in global equities will continue over the coming months

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