



July Review

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

SHARP UPTICK IN VOLATILITY...

Stretched valuations lead to some level of profit taking and rotation; long-term technology bull case unchanged

HIGHLIGHTS

1. **A mixed month** with the Nasdaq 100 Index lost around 2 % for the month while the Russell 2000 Index of small cap stocks was up 10 %. Despite this the former has outperformed the latter by around 4 percentage points.
2. Investors were happy to reduce some exposure at the highs for the month but on the last trading day came back to scoop up bargains. **Some market favorites were recently seen down 20 – 30 % from their previous highs.**
3. Volatility spiked significantly intra-month but now with the Federal Reserve suggesting **a September rate cut is a possibility** we could see a calmer period ahead.
4. **Geopolitical developments need to be watched very closely.**

Global Markets Update

- Our call to move US equity to Hold from Add was timely as markets hit a rough patch during the month. The sell-offs were primarily triggered in the sectors which have done well year-to-date (primarily Technology related).
- While the upside scenario has seen somewhat of a pause, we did see an active amount of buying coming through towards the end of the month, on the last day to be precise.
- With many market leaders having lost around 15 – 25 % of their valuation from their recent highs investors with cash on the sidelines were looking for bargains. An on-balance dovish Jerome Powell suggesting a September rate cut possibility helped investors pull the trigger on purchases they had on the radar.
- The interest rate markets now price in three 25 basis point cuts till December and we are leaning towards this outcome; something that we have been calling for from the start of 2024.



- We are now in the final stages of the US Election cycle and with President Biden dropping out of the picture in favor of Vice President Harris the dynamics of the race are indeed complex. VP Harris appears to be building strong momentum; though the odds are still in favor of Former President Trump winning majority of the electoral votes. We expect a keenly contested race and will provide updates as pertinent to policy and markets along the way.
- Geopolitical flash-points continue to put downward pressure to asset prices and we will also take defensive action on portfolios should the same be warranted in the coming days.



Key markets

Volatility in markets spiked this month especially in the Technology heavy Nasdaq. This has been on account of a few factors and started with investors locking in gains to then reducing allocations on account of geopolitical tensions. We still view the Technology sector through a secularly bullish lens but, and as we mentioned in our last update, are happy with our move to Hold on US equities in general.

All this is playing out with an interest rate profile which is markedly dovish compared to last month. In the recent FOMC press conference Fed Chair Jerome Powell alluded to a September rate cut. With the usual caveats as well of the forthcoming data being in line with that dovish profile. Jobs and other growth numbers will be keenly watched in the coming weeks and having said that the interest rate markets are already pricing in 3.5 rate cuts by the end of this year.

Of late the potential outcomes of the US Presidential Elections are proving to be as volatile as equity markets.

Index	Month to Date (%)	Year to Date (%)
Topix	-0.55	18.08
Hang Seng China Enterprises	-3.55	5.87
Dax	1.50	10.49
Euro Stoxx 50	-0.43	7.77
S&P 500	1.13	15.78
Dow Jones	4.41	8.37
Nasdaq 100	-1.63	15.07
US 10 Year Treasury	-0.37	0.15
Bloomberg Barclays Global Corporate Bond Index	2.76	-0.49
Bloomberg Barclays Global Corporate Bond High Yield Index	1.96	5.20
EUR USD	1.05	-1.93
USD JPY	-6.78	6.34
Gold	5.19	18.64

From Joe Biden's seeming decline, the assassination attempt on Donald Trump, the former dropping out of the race and endorsing Kamala Harris, to her surge in popularity. There are still three critical months ahead and we believe the final outcome is still wide open.

In Japan, the Central Bank raised rates again and this has triggered a Yen rally and a sell-off in equity markets. However, with the year-end interest rate around 40 basis points there will still likely be a large gap to most other currencies. We would be happy to buy Japanese equities after the first flush of selling and when we see some stability build.

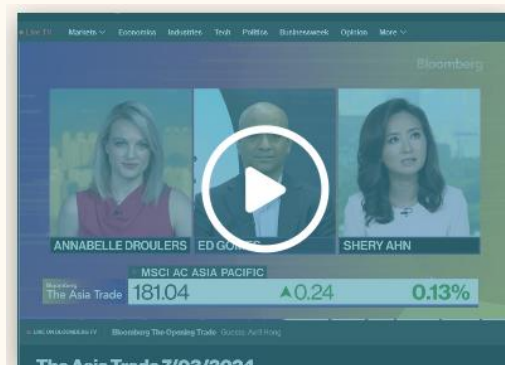
SGMC Forward Views Highlights

SGMC Forward Views						
Asset Class	Avoid	Reduce	Hold	Add On	High Conviction	Notes
Equities						
US Equities			Hold			Moving to Hold to account for the strong rally we have seen YTD as well as election / geopolitical surprises that could come up
EU Equities			Hold			Benign risk environment likely to short term support the indices
Chinese Equities			Hold			Still waiting for a catalyst to move valuations higher - this will likely take more time
Emerging Market Equities				Add On		We remain positive on the area but extremely selective. Our top picks include India, Indonesia and Brazil .
Bonds						
High Yield				Add On		Happy to continue selectively adding to lock in yields
Investment Grade				Add On		While further capital appreciation potential is limited, we like the space to lock in attractive yield and cash flow. Stay invested and add to selective issues within the corporate space
Government Bonds			Hold			Rate cut expectations scaled back, but we see more value in the corporate space
FX & Alternative Asset Classes						
US Dollar Index			Hold			Rangebound trading likely to continue in the short term
Commodities			Hold			As rates decline, commodities to find support.
Private Equity / Hedge Funds		Reduce				We remain relatively underweight this sector
Real Estate			Hold			Rates unlikely to decline as much as expected by the markets at the start of the year. Stay neutral.
Collectibles			Hold			Uncorrelated with markets

- We have made no change to our allocations for the month



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