

SNAPSHOT

- US equities continue higher, despite signs of fatigue
- Asia rallies on Chinese recovery
- UK mid-caps outstrip blue chips once again



All percentages below are monthly returns

EQUITIES



BOND MARKETS

BONDS

High yield still leading

	UK GILTS	-0.8%
	US TREASURIES	-0.2%
	GLOBAL CORPORATE BONDS	-0.4%
	GLOBAL HIGH YIELD BONDS	0.6%



CURRENCIES

STERLING

Rising US dollar

Pound vs Other Currencies



*Values represent bond index returns

KEY INDICATORS



GOLD – XAU/USD

0.1%



OIL – BRENT CRUDE

-4.4%



COMMODITIES

-1.3%



INFLATION – UK CPI

2.0%



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GLOBAL MARKETS

Major global equity markets all showed positive returns in August, led by the US and Japan. Emerging market returns were driven by India, China and Brazil.



US MARKETS

Reached new highs

US equities reached new highs again in August, returning +3.0% over the month. The rise was broad, taking in both technology stocks and more defensive sectors. However, a range of indicators suggested a reduction in confidence moving into the Autumn period. Analysts' forecasts continue to reflect the expectation that S&P 500 earnings will continue to grow at double-digit rates until 2023. However, the University of Michigan consumer sentiment index has collapsed to a ten-year low, suggesting that the boost from ending lockdown may be over.

3.0%

US 500



EUROPEAN MARKETS

Positive returns

Returns across the continent were almost universally positive, with strong rises in several of the peripheral European markets. The major developed nations were more muted, with rises limited to 3% or less. The overall return from the Stoxx Euro 600 Index was +2.0%. Manufacturing surveys taken early in the month showed the lowest levels since January. However, the fact that stocks have not shown the pattern of weakness that usually follows a US PMI peak, may suggest that the European markets are more firmly underpinned. MSCI Europe has now beaten the World ex US by over 10% in six months.

2.0%

Euro 600 Index



UK MARKETS

Midcaps lead the way

UK equities were led, once again, by the FTSE Mid-250 Index, despite Sterling weakness during the month. After July's +2.5% return, driven by travel stocks, August saw the Index add a further 5%, driven primarily by bid-speculation, following a bidding war for aerospace supplier, Meggitt. Outside of the mid-cap part of the UK market, large and small-cap indices were also positive, with just a +1.24% return from the FTSE 100 Index, which is still languishing below its pre-Covid level. Fears of supply problems due to Covid and Brexit weighed on shares, as did the growth in Delta-variant cases.

2.0%

UK All Share



ASIAN MARKETS

Bounced back strongly

Asian markets bounced back strongly in August, with Japanese shares gaining 3.1% and the Chinese Shanghai Composite Index rising by 4.3%. After recent weakness, stocks in the region were buoyed up by bargain hunting. Both developed and emerging markets in the region were stronger. Progress in Asia, where coronavirus cases have been rising again in recent weeks, was helped by the full approval of the Pfizer/Biontech vaccine. Wall Street's strength also helped to underpin the Asian markets, as fears of imminent Fed tapering to be announced at Jackson Hole subsided.

1.9%

Asia Index



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THE WORLD AT A GLANCE

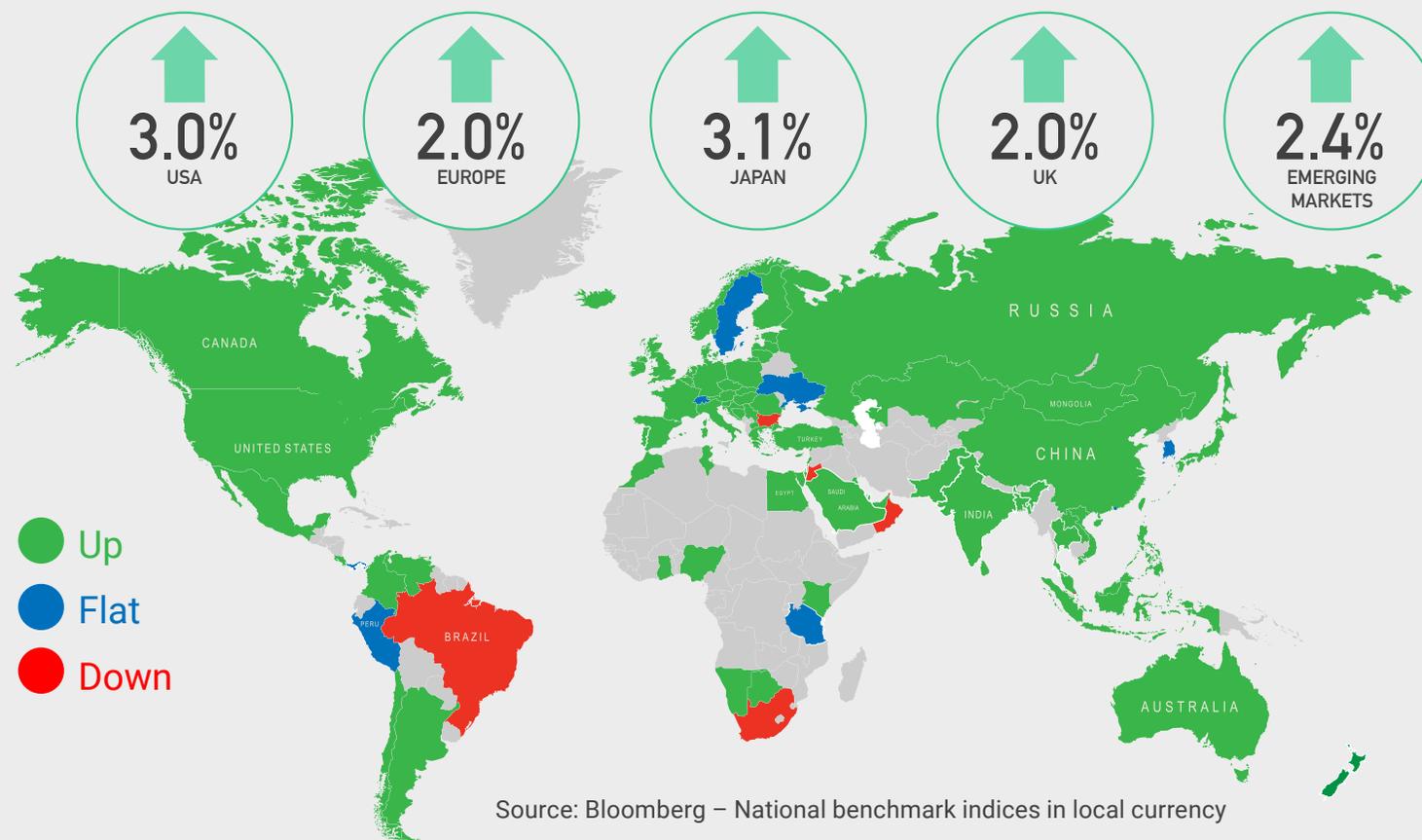
	2016	2017	2018	2019	2020	August 21	Year to Date
UK CASH	0.4%	0.3%	0.6%	0.7%	0.2%	0.0%	0.0%
US DOLLAR	3.6%	-9.9%	4.4%	0.2%	-6.7%	0.5%	2.3%
UK GILTS	10.1%	1.8%	0.6%	6.9%	8.3%	-0.8%	-3.8%
US TREASURIES	1.0%	2.3%	0.9%	6.9%	8.0%	-0.2%	-1.5%
GLOBAL CORPORATE BONDS	3.7%	8.9%	-3.2%	10.7%	10.0%	-0.4%	-0.9%
GLOBAL HIGH YIELD BONDS	14.3%	10.4%	-4.1%	12.6%	7.0%	0.6%	3.1%
US 500	12.0%	21.8%	-4.4%	31.5%	18.4%	3.0%	22.0%
UK ALL SHARE INDEX	12.5%	9.0%	-13.0%	14.2%	-12.5%	2.0%	12.2%
EURO 600 INDEX	-1.2%	7.7%	-13.2%	23.2%	-4.0%	2.0%	18.3%
JAPAN INDEX	-1.9%	19.7%	-17.8%	15.2%	4.8%	3.1%	11.7%
ASIA EX-JAPAN	6.1%	35.6%	-12.3%	17.9%	22.4%	1.9%	2.4%
EMERGING MARKETS	8.6%	34.3%	-16.6%	15.4%	15.8%	2.4%	1.9%
COMMODITIES	32.8%	-3.4%	-8.5%	13.1%	-26.1%	-1.3%	29.6%
GOLD	7.7%	12.8%	-2.8%	18.0%	20.9%	0.1%	-3.9%
HEDGE FUNDS	2.5	6.0%	-6.7%	8.6%	6.8%	0.7%	4.3%

Source: Bloomberg

Total Return – Local Currency

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WORLD EQUITY MARKETS



Key Points

- US equities continued higher, reaching new all-time highs during August.
- Global markets breathed a sigh of relief as fears of imminent Fed tapering receded.
- Confidence measures have weakened whilst earnings forecasts remain robust.
- Asian markets rebounded strongly, led by Japan and China.
- UK stocks were up overall, driven entirely by the mid-cap section of the market.

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POUND VS OTHER CURRENCIES



Source: Bloomberg

DOLLAR VS OTHER CURRENCIES



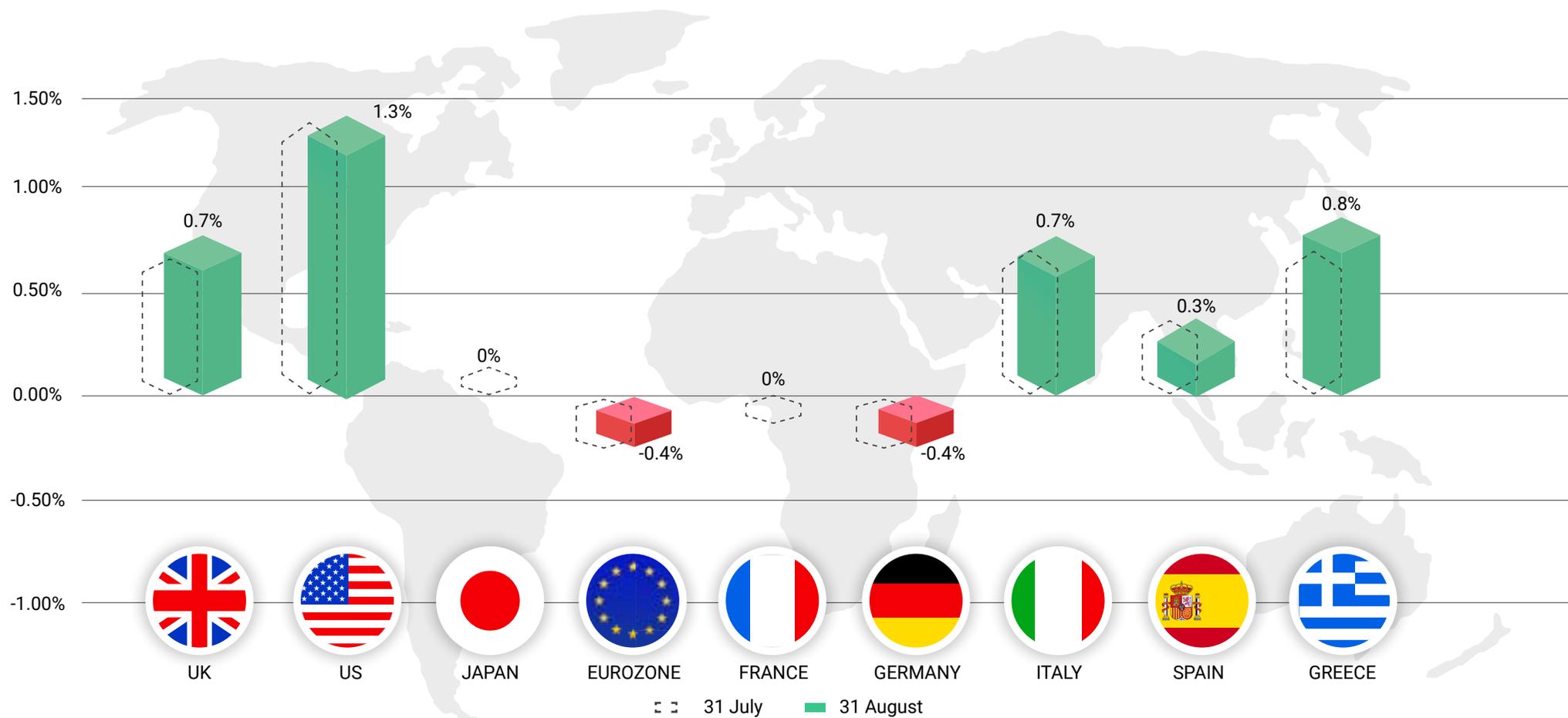
Key Points

- Sterling weakened, as the UK recovery was threatened by supply shortages following Brexit and Covid-19.
- The dollar was generally stronger, on expectations of Fed tapering, but gave back a little of that strength near the month end.
- An improving vaccination programme in Europe helped to support recovery hopes and the Euro, which edged up against a weaker pound.
- The yen rallied along with Asian equity markets, as a safe haven currency.

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GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- Global government bonds were generally weak, with gilts losing 0.8%.
- European government bonds were the only major market to see small gains.
- Investment grade bonds similarly struggled and returned small losses.
- High yield bonds were the only global bond market sector to gain, with a rise of 1.7%. Other bond returns were generally negative, but appear positive due to weaker Sterling.

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