Monthly Market Update

THROGMORTON
PRIVATE CAPITAL

August 2020

Independent Advice. Bespoke Solutions.

July Market Commentary

> "Investors have been able to move well ahead of the real economy to price in an expected sharp recovery in corporate profits"

Matthew Cove DipFA
Director
01304 371 753

U.S. data suggested that activity improved towards the end of the quarter, as May's strong global growth momentum carried over into June. Overall retail sales jumped 7.5% in June, and manufacturing gains, although less sizeable, were robust. However, preliminary readings for economic activity in July pointed to a moderation in the speed of recovery.

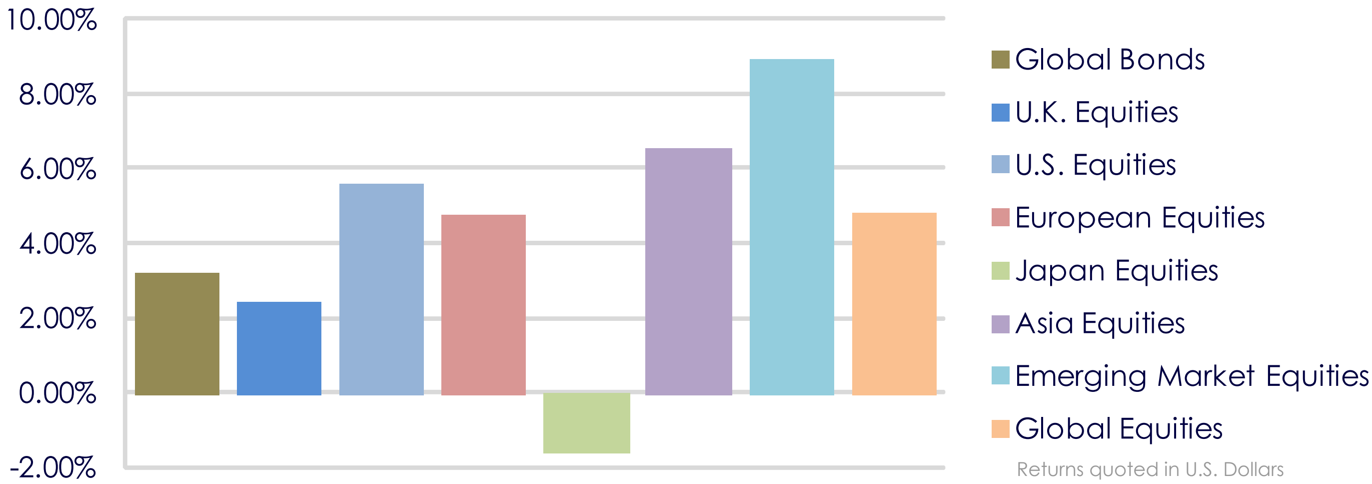
In the euro area, momentum seems to be maintaining a stronger pace. The European Council struck an agreement on a 750 billion Euro post-pandemic recovery fund. This is a game-changer, which in our view, signals meaningful progress toward a Euro-area fiscal union.

July was a fairly quiet month for developed market central banks. The U.S. Federal Reserve, European Central Bank and Bank of Japan all held policy rates unchanged, pointing to the economic burden of the coronavirus and committing to using their full suite of monetary policy tools to support their economies.

Investors have been able to move well ahead of the real economy to price in an expected sharp recovery in corporate profits, leading to equity valuations that are visibly high when compared with today's depressed base. The 2nd quarter looks likely to mark the low point in global corporate profits caused by COVID-19 and while there is some debate about the depth of the downturn, most market analysts agree that a fairly rapid recovery is set to follow as economies begin to re-open. Indeed, analysts predict that U.S. corporate profits will grow nearly 60% in the second half of this year and expect them to reach new record highs by Q4 2021.

In equity markets, better economic activity data pushed prices higher. The MSCI Emerging Market Index outperformed, up 9% for the month. Among global equities, China's CSI 300 Index led the way with a 14.2% gain. In developed markets, headline performance was consistent with global growth resurgence. North American indices have outperformed their European counterparts, with the S&P 500, S&P/TSX Composite and Eurostoxx 50 returning, 5.5%, 5.8% and 2.9%, respectively.

Discrete Monthly Performance as at 31/07/2020



All investment involves risk. It is important you understand that past performance is not a guarantee of future performance. The value of investments and any income derived from them may go down as well as up and you might not get back the full amount you invested.

Cumulative Performance and Annualised Volatility as at 31/07/2020

	1 Year %	3 Years %	5 Years %	Volatility %2
Global Bonds	0.61	13.98	45.78	9.43
U.K. Equities	-17.76	-9.08	8.45	12.69
U.S. Equities	3.83	38.66	98.59	13.16
European Equities	-3.16	5.95	38.68	12.51
Japan Equities	-5.47	5.78	37.97	12.41
Asia Equities	-3.48	9.72	63.53	14.95
Emerging Market Equities	-0.60	9.25	60.23	15.57
Global Equities	0.04	24.87	70.84	12.38

Data source FE Analytics 31/07/2020. Indices used: Global Bonds: Boomberg Barclays Global Aggregate, UK Equities: FTSE All Share, US Equities S&P500, European Equities: FTSE Developed Europe (Ex UK), Japan Equities: MSCI Japan, Asia Equities: FTSE World Asia Pacific (Ex Japan), Emerging Markets Equities: MSCI Emerging Markets, Global Equities: MSCI World. Volatility annualised over 5 years.