Monthly Market Summary

June 2021

Summary: Equities gain for a fifth consecutive month

June saw global stocks at record highs, gaining +1.3% (in USD terms). Global investment grade bonds also rose +0.4% (in USD). Key events included:

- Most risk assets generated positive returns with technology stocks recovering
- The US Fed shifted forward its expected interest rate hike(s) to 2023
- A pause in some re-openings due to the Delta variant whilst vaccinations continue.

Global stocks continued their upward trajectory and reached new highs as volatility remained largely subdued. Upward revisions to corporate earnings estimates helped whilst investors shrugged off a renewed uptick in global Covid-19 cases, predominantly in the UK and Asia, as the Delta variant slowed the pace of economic re-opening. Central Bank rhetoric became more hawkish with the Fed lifting its inflation outlook and probability of raising interest rates to 2023. Meanwhile, the G7 reached a deal on a minimum global corporate tax rate of at least 15%. Commodities were mixed as gold suffered its worst monthly decline since 2016 (-7.2%), oil (+8.4%) climbed to its highest level since 2018, while industrial metals faltered as China opened stockpiles.

US: Fed rate guidance, rising inflation, Biden's infrastructure plan

The US economy looks set to continue its strong momentum in Q3. Despite backlogs and labour shortages, factory activity rose to a record high in June (flash PMI) and the Fed upgraded its 2021 growth outlook. In equity sectors, US financials gained as the Fed's stress test confirmed the US' largest banks are well capitalised, resulting in loosened restrictions on capital distributions. Leaving rates unchanged, a more hawkish Fed signalled it is considering tapering bond purchases as it brought forward expected rate hikes to 2023. The yield curve flattened over the month with higher inflation still labelled transitory by the Fed with Core CPI at 3.8% YoY (in May), vs. 1.6% YoY in March. Separately, Biden secured bipartisan support for a US$1.2 trillion infrastructure plan.

Europe: Eurozone business survey surge, supportive ECB, BoE inflation views

With accelerated vaccination rollouts and cases falling, easing restrictions led to strong consumer demand with business growth in the Eurozone rising at its fastest pace in 15 years (flash composite PMI at 59.2). Strong activity in the services sector suggests momentum is set to continue. On policy, the ECB reiterated its accommodative stance and pace of bond purchases – despite the upgraded forecast for increased growth and higher inflation in the Eurozone. In a similar message, whilst leaving policy untouched, the BoE said inflation is expected to surpass 3% when the economy is fully re-opened. The UK government postponed the final removal of all Covid-19 restrictions until 19 July amid an uptick in cases of the Delta variant.

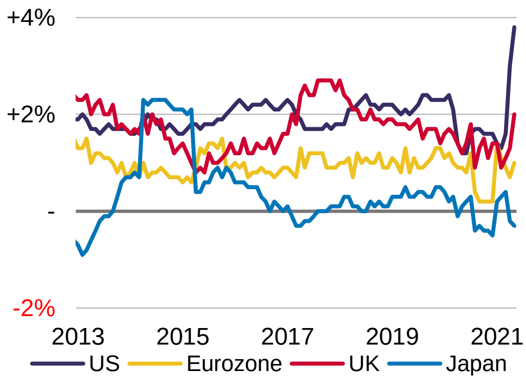
ROW: Softer Chinese data, BoJ pandemic relief programme, Delta variant

Growth in Chinese factory activity dropped to a four-month low in June, negatively impacted by raw material costs, supply shortages and Covid-19 contagion in the key export province of Guangdong. A sub-index for raw materials fell from its highest level since 2010 (in May) as the government released some industrial metals from state reserves to ensure supply and stabilise (high) prices. In Israel, despite its successful vaccination program, the country reinstated mandatory indoor masks to fight the Delta variant whilst Sydney entered a hard two-week lockdown. Meanwhile, the Bank of Japan left short-term interest rates unchanged (at -0.10%) and extended its pandemic relief programme by six months from September, whilst pledging to support financial institutions investing in climate change bonds.

Performance figures *(as of 30/06/2021 in local currency)*

Fixed Income	Yield	1M %	YTD %
US 10 Yr	1.47%	0.9%	-3.4%
UK 10 Yr	0.72%	0.6%	-3.8%
Swiss 10 Yr	-0.22%	0.4%	-1.8%
German 10 Yr	-0.21%	0.5%	-2.2%
Global IG (hdg $)	1.58%	1.1%	-0.9%
Global HY (hdg $)	4.22%	0.8%	2.7%
Equity Index	**Level**	**1M %**	**YTD %**
MSCI World ($)	369	1.3%	12.3%
S&P 500	4'298	2.3%	15.2%
MSCI UK	12'008	0.4%	11.3%
SMI	11'943	5.1%	14.7%
Eurostoxx 50	4'064	0.7%	16.6%
DAX	15'531	0.7%	13.2%
CAC	6'508	1.2%	19.5%
Hang Seng	28'828	-0.7%	7.4%
MSCI EM ($)	671	0.2%	7.4%
Currencies (trade-weighted, nominal)			
US Dollar		2.0%	3.1%
Euro		-1.0%	-1.4%
Yen		0.1%	-7.2%
Pound Sterling		-1.0%	3.3%
Swiss Franc		-0.9%	-3.5%
Chinese Yuan		-0.7%	0.5%
Commodities	**Level**	**1M %**	**YTD %**
Gold ($/oz)	1'770	-7.2%	-6.8%
Brent ($/bl)	75.13	8.4%	45.0%
Copper ($/t)	9'352	-8.8%	20.7%

Core inflation (%, Year-over-year)



Source: Bloomberg, Rothschild & Co, correct to 23 June 2021

Important information