

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)

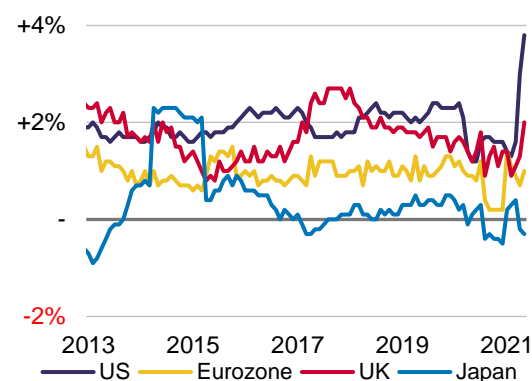
Fixed Income	Yield	1M %	YTD %
US 10 Yr	1.47%	0.9%	-3.4%
UK 10 Yr	0.72%	0.6%	-3.8%
Swiss 10 Yr	-0.22%	0.4%	-1.8%
German 10 Yr	-0.21%	0.5%	-2.2%
Global IG (hdg \$)	1.58%	1.1%	-0.9%
Global HY (hdg \$)	4.22%	0.8%	2.7%

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 (\$/bbl)	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

This content is produced by Rothschild & Co Wealth Management UK Limited, Rothschild & Co Bank AG and Rothschild & Co Vermögensverwaltung GmbH for information and marketing purposes only. This content does not constitute a personal recommendation or an offer or invitation to buy or sell securities or any other banking or investment product.

Nothing in this content constitutes legal, accounting or tax advice. The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your original investment. Past performance should not be taken as a guide to future performance. Investing for return involves the acceptance of risk: performance aspirations are not and cannot be guaranteed. Should you change your outlook concerning your investment objectives and/or your risk and return tolerance(s), please contact your client adviser. Where an investment involves exposure to a foreign currency, changes in rates of exchange may cause the value of the investment, and the income from it, to go up or down.

Income may be produced at the expense of capital returns. Portfolio returns will be considered on a "total return" basis meaning returns are derived from both capital appreciation or depreciation as reflected in the prices of your portfolio's investments and from income received from them by way of dividends and coupons.

Holdings in example or real discretionary portfolios shown herein are detailed for illustrative purposes only and are subject to change without notice. As with the rest of this content, they must not be considered as a solicitation or recommendation for separate investment.

Although the information and data herein are obtained from sources believed to be reliable, no representation or warranty, expressed or implied, is or will be made and, save in the case of fraud, no responsibility or liability is or will be accepted by Rothschild & Co Bank AG as to or in relation to the fairness, accuracy or completeness of this content or the information forming the basis of this content or for any reliance placed in this content by any person whatsoever. In particular, no representation or warranty is given as to the achievement or reasonableness of any future projections, targets, estimates or forecasts contained in this content. Furthermore, all opinions and data used in this content are subject to change without prior notice.

This content is distributed in Switzerland by Rothschild & Co Bank AG and in the UK by Rothschild & Co Wealth Management UK Limited. Law or other regulation may restrict the distribution of this content in certain jurisdictions. Accordingly, recipients of this content should inform themselves about and observe all applicable legal and regulatory requirements. For the avoidance of doubt, neither this content nor any copy thereof may be sent to or taken into the United States or distributed in the United States or to a US person. References in this content to Rothschild & Co are to any of the various companies in the Rothschild & Co Continuation Holdings AG operating/trading under the name "Rothschild & Co" and not necessarily to any specific Rothschild & Co company. None of the Rothschild & Co companies outside the UK are authorised under the UK Financial Services and Markets Act 2000 and accordingly, in the event that services are provided by any of these companies, the protections provided by the UK regulatory system for private customers will not apply, nor will compensation be available under the UK Financial Services Compensation Scheme. If you have any questions on this content, your portfolio or any elements of our services, please contact your client adviser.

The Rothschild & Co group includes the following wealth management businesses (amongst others): Rothschild & Co Wealth Management UK Limited. Registered in England No 04416252. Registered office: New Court, St Swithin's Lane, London, EC4N 8AL. Authorised and regulated by the Financial Conduct Authority. Rothschild & Co Bank International Limited. Registered office: St Julian's Court, St Julian's Avenue, St Peter Port, Guernsey, GY1 3BP. Licensed and regulated by the Guernsey Financial Services Commission for the provision of Banking and Investment Services. Rothschild & Co Bank AG. Registered office: Zollikerstrasse 181, 8034 Zurich, Switzerland. Authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).