

Monthly Market Summary

August 2024



Summary | August: a short-lived panic?

Global equities moved higher by 2.5% in August (USD terms), while global government bonds returned 1.0% (USD, hedged terms). Key themes included:

- Stocks rebound to fresh highs after a sharp sell-off at the start of the month;
- Powell signals that the Fed will begin its easing cycle in September;
- Uneasy geopolitics deteriorates further in the Middle East and Ukraine.

Markets: A brief re-emergence of volatility

Stock volatility surged at the start of the month as thin summer trading coincided with US growth fears, the retreat of 'big tech' and the technical unwind of Japan's carry trade. The VIX Index – a measure of S&P 500 implied volatility – almost tripled intraday, before swiftly returning to more 'normal' levels. Most damage was evident in Japan, where a big surge in the yen prompted a 12% daily decline in the MSCI Japan Index (local terms). However, global stocks quickly retraced their losses, back to all-time highs, though there was a more 'defensive' sector rotation in August. Safe havens rallied, with shorter-dated government bonds rallying most visibly (and the 2s10s US treasury curve briefly uninverted). Gold also rose further, subsequently hitting fresh highs in US dollar terms, as the major currencies – including EUR, GBP, CHF and JPY – continued to strengthen against the greenback. Oil remained rangebound, despite the tense situation in the Middle East.

Economy: Signs of a US slowdown?

US economic data were more mixed over the past month. Retail sales pointed to ongoing consumer momentum in July, but cracks started to show in the labour market data. The unemployment rate unexpectedly rose to 4.3% – its highest reading in nearly three years – and the pace of job gains decelerated. Even so, the timely business surveys signalled expansion in August, and real-time US GDP estimates pointed to another quarter of economic growth. Meanwhile, inflation continued to cool: the headline rate edged lower to 2.9% (y/y), as did the core rate, to 3.2%. In Europe, the UK was the fastest growing G7 economy in the first half of the year, with activity also looking healthy at the start of the third quarter. Euro area data were patchy: business surveys signalled overall expansion, but manufacturing output remained subdued. Eurozone headline inflation fell to 2.2% in August, while UK headline inflation conversely moved up to that same rate in July, with energy price arithmetic (base effects) affecting both series. Swiss inflation remained unchanged – and muted – in July.

Policy and politics: The Powell pivot; Uneasy geopolitics

With growth concerns and market volatility in focus, money markets quickly discounted a more dovish trajectory for US interest rate cuts this year (currently close to 100 basis points of easing, even after stocks rebounded). At the annual Jackson Hole summit, Powell stated that 'the time has come for policy to adjust', a clear signal that the Federal Reserve is set to begin its easing cycle in September. Policymakers from the other major central banks also hinted that interest rates would continue to move lower, with the exception being the Bank of Japan.

The geopolitical backdrop remained tense. Conflict in the Middle East escalated further, despite ongoing ceasefire talks, and Ukraine's forces advanced into Russia's Kursk region. On a more positive note, there was further US-China dialogue, as the US National Security Advisor met with Xi Jinping in Beijing. In politics, Kamala Harris confirmed Tim Walz as her Vice President nominee at the Democratic National Convention. Voter-friendly policies aimed at working families were revealed, while the latest polling showed a slim lead over Trump. Elsewhere, Japan's PM Kishida stepped down amid low popularity, Macron failed to form a new government in France, and the far-right AfD won its first state election in eastern Germany.

Performance figures (as of 30/08/2024)

Equities (MSCI indices, \$)	1M %	YTD %
Global	2.5%	16.0%
US	2.4%	18.8%
Europe ex UK/Switz.	4.0%	11.5%
UK	3.3%	15.1%
Switzerland	4.8%	11.7%
Japan	0.5%	13.0%
Pacific ex Japan	4.7%	7.2%
EM Asia	1.6%	12.5%
EM ex Asia	1.6%	-1.1%

Fixed income	Yield	1M %	YTD %
Global Govt. (hdg \$)	2.98%	1.0%	2.7%
Global IG (hdg \$)	4.55%	1.2%	3.7%
Global HY (hdg \$)	7.71%	1.8%	7.6%
US 10Y (\$)	3.90%	1.4%	2.7%
German 10Y (€)	2.30%	0.4%	-0.1%
UK 10Y (£)	4.01%	0.3%	-0.4%
Switzerland 10Y (Fr.)	0.48%	0.0%	2.3%

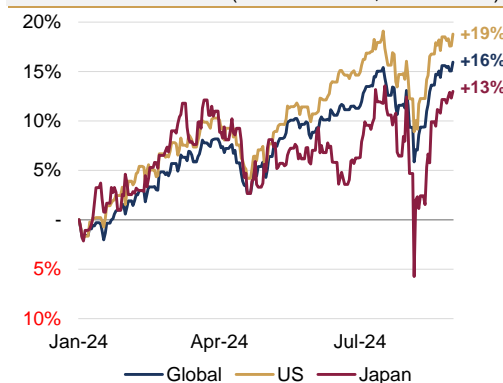
Currencies (NEERs)	1M %	YTD %
US Dollar	-1.2%	2.8%
Euro	0.5%	1.3%
Pound Sterling	0.5%	4.1%
Swiss Franc	1.8%	-0.6%

Commodities (\$)	Level	1M %	YTD %
Gold	2503	2.3%	21.3%
Brent Crude oil	79	-2.4%	2.3%
Natural gas (€)	40	11.0%	23.1%

Table note: 'NEERs' under 'Currencies' are the J.P. Morgan trade-weighted nominal effective exchange rates.

Key chart: Stock market sell-off in context

Year-to-date returns (MSCI indices, USD terms)



Source: Rothschild & Co, Bloomberg



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).