JUL 2024 INVESTMENT UPDATE

# HIGHLIGHTS

## Market Review

- Global equity markets had a robust first half, with US equity gains surpassing even optimistic expectations. Economic growth remains positive, offering fundamental support for markets in the second half.
- Uncertainty in the interest rate environment has made it challenging for segments like small caps and fixed income that would otherwise benefit from decline in rates.
- Moving into the second half of 2024, economic growth continues to be the base case, and markets are experiencing some broadening of the narrow rally. This sets the stage for a potential catch-up play in segments like quality large-cap stocks and small caps.

## Economic growth to continue

- Global economic activity rebounded in 2024, driven by lower inflation and improved consumer confidence. Developed economies like the US remained resilient, while the Eurozone rebounded from a shallow contraction.
- Emerging economies like Vietnam and China have also shown recovery, with Vietnam's GDP growth being one of the fastest in Asia and China's economy stabilizing with better-than-expected export data, though weaknesses in the property market have led to a patchy equity recovery.
- Expectations of a more accommodative global monetary policy by the end of 2024 support the performance of equities and fixed income.

## Watch out for twists and turns

- Economic growth is expected to stay positive in the second half of the year. Market focus remains on whether companies can continue to exceed profit expectations, alongside monitoring the upcoming US election and interest rate decisions.
- As these key market events unfold, investors can expect volatility to emerge in markets outside the US, such as China, amid the narrative around deglobalization and tariffs.
- Our portfolios focus on higher quality positions that capture upside and are more resilient to market volatility. We are positioned in market segments that are likely to catch up and identify better entry points into the mega-caps on pull-backs.

## Finding truly diversified income

- Uncertainty about interest rate cuts increases volatility in income markets, posing a challenge for investors to maintain holdings amid price fluctuations. Income investors should prioritize collecting regular payments over reacting to market fluctuations.
- Diversification across income instruments helps manage volatility. However, it has limits; during rapid interest rate increases from Aug 2021 to Oct 2022, diversification provided little protection as traditional income markets declined.
- True diversification entails finding income sources independent of traditional economies. Insurance-linked securities are one such instrument we have to diversify our income portfolio.

Read the full commentary here



Finexis Asset Management