

Current Update

July 2024



Market Talking Points

- INFLATION:** CPI rate fell to 3.3% in the US (from 3.3%) and to 2.0% in the UK (from 2.3%) but rose to 2.6% in the EU (from 2.5%). Core Inflation rates, those that excludes fuel and food are 3.3% in the US, 2.9% in the EU and 3.5% in the UK.
- CENTRAL BANK RATES:** In July interest rates were kept the same in the US (5.50%) and the ECB (4.25%) but in the UK rates were cut from a 16 year high on August 1st (5.00%). In the FOMC news conference Fed Chairman Powell made it clear that US rates would likely be reduced in September
- BENCHMARK RATES:** Benchmark 10 Year interest rates decreased during July finishing at 4.04% in the US, 2.30% in Germany and 3.97% in the UK. With Japanese 10 yr rate over 1% and rising the reduced differential between US and Japanese rates resulted in Yen strength and increased volatility
- ECONOMIC GROWTH:** Annual Growth rates were low but positive in the second quarter within the US (+1.4%), the EU (+0.6%), Japan (+0.1%) and the UK (0.3%). The expected recession has failed to materialise but indications of a US and global slowdown have increased.
- VOLATILITY:** In early August significant increases in equity market volatility were seen in many regions. An historic 20% fall in Japanese equities over two days increased risk globally. The US Nasdaq index fell into correction territory (-10%) and volatility reached levels not seen since the outbreak of Covid.

Rivers Asset Index Data

| Anchor | 1m | 6m | 12m | 5yr* | 20yr* | Eq Corr | 5yr Vol |
|-----------------------------------|-------|-------|-------|-------|-------|---------|---------|
| Cash Plus / Enhanced Cash | 0.6% | 3.1% | 5.8% | 3.0% | 2.8% | -0.07 | 0.6% |
| High Grade Bond and Income | 1.6% | 1.7% | 5.4% | -1.5% | 3.8% | 0.29 | 6.5% |
| Low Risk Absolute Return | -0.2% | 3.6% | 6.5% | 3.0% | 3.9% | 0.19 | 6.0% |
| Enhancers | 1m | 6m | 12m | 5yr* | 20yr* | Eq Corr | 5yr Vol |
| Developed Market Equity | 1.3% | 11.7% | 18.6% | 9.2% | 9.5% | 1.00 | 11.2% |
| Corporate, High Yield and Credit | 1.5% | 5.8% | 12.4% | 3.5% | 6.7% | 0.82 | 9.5% |
| Emerging Market Equity | -0.8% | 12.2% | 14.2% | 4.0% | 9.8% | 0.78 | 13.1% |
| Diversifiers | 1m | 6m | 12m | 5yr* | 20yr* | Eq Corr | 5yr Vol |
| Commodity Focused | -4.0% | 3.0% | -0.4% | 6.7% | 3.5% | 0.34 | 12.1% |
| Medium Volatility Absolute Return | -0.5% | 3.2% | 5.4% | 3.7% | 4.5% | 0.28 | 7.9% |
| Themes, Macro and Trend | -1.6% | 4.4% | 5.5% | 6.0% | 7.1% | 0.21 | 10.6% |
| Real Estate | 2.5% | 4.5% | 5.8% | 1.3% | 6.2% | 0.75 | 9.5% |

*Annualised returns above 1 year, as of 31/07/2024

Current Portfolio Relative Risk Level

- On August 8th the Risk Committee maintained the Tactical Risk Level at underweight Level 2, out of 7, with an Enhancer asset underweight and valuation bias.
- Within Anchors short duration bonds and cash offer an attractive nominal yield. Within Enhancers recent concentrated technology stock gains appear unsustainable given prevailing uncertainty and slowing growth.
- The strong rebound in the first half of 2024 is welcomed but with markets pricing in a soft landing and significant interest rate cuts the possibility of disappointment appears elevated
- Enhancer assets are primarily equity assets with a small percentage of credit
- Risk level 4 is the Neutral or Strategic asset allocation when valuations and risk are considered by the Risk Committee to be in equilibrium.
- Lower risk levels (below 4) indicate that Enhancer valuations are relatively unattractive given to prevailing macro risks. Higher risk levels indicate they are relatively attractive.

Key Future Announcements

| UK | | Previous | Forecast |
|------------------------|--------------------------------------|----------|----------|
| Friday July 05 2024 | Halifax House Price Index YoY JUN | 1.5% | 2.5% |
| Wednesday July 10 2024 | GDP MoM MAY | 0.0% | 0.1% |
| Wednesday July 17 2024 | Inflation Rate YoY JUN | 2.0% | 2.0% |
| Thursday July 18 2024 | Unemployment Rate MAY | 4.4% | 4.4% |
| Friday July 19 2024 | Retail Sales MoM JUN | 2.9% | 0.5% |
| GLOBAL | | | |
| Wednesday July 10 2024 | China Inflation Rate YoY JUN | 0.3% | 0.3% |
| Thursday July 11 2024 | US Inflation Rate YoY JUN | 3.3% | 3.1% |
| Friday July 12 2024 | Michigan Consumer Sentiment Prel JUL | 68.2 | - |
| Monday July 15 2024 | China GDP Growth Rate YoY Q2 | 5.3% | 5.0% |
| Wednesday July 31 2024 | US Fed Interest Rate Decision | 5.5% | 5.5% |

| UK | 31-Jul-24 | 31-Dec-23 |
|-------------------|-----------|-----------|
| FTSE 100 | 8,367.98 | 7,733 |
| FTSE 100 % YTD | 8.21% | |
| BoE Interest Rate | 5.00% | 5.25% |
| Inflation | 2.00% | 3.90% |
| Core Inflation | 3.50% | 5.10% |
| Govt, 10YR Yield | 3.97% | 3.54% |
| Currency | 31-Jul-24 | 31-Dec-23 |
| GBP/USD | 1.29 | 1.27 |
| GBP/EURO | 1.19 | 1.15 |
| EUR/USD | 1.08 | 1.10 |
| Commodity (\$) | 31-Jul-24 | 31-Dec-23 |
| Gold | 2,446 | 2,071 |
| Silver | 29.04 | 24.02 |
| Brent Crude Oil | 77.91 | 71.33 |
| Govt 10YR Bond | 31-Jul-24 | 31-Dec-23 |
| US | 4.04 | 3.88 |
| Japan (JGB) | 1.06 | 0.63 |
| Germany (Bund) | 2.30 | 2.00 |
| Italy (BTP) | 3.65 | 3.70 |
| Global Markets | 31-Jul-24 | 31-Dec-23 |
| Dow Jones | 40,843 | 37,690 |
| S&P 500 | 5,522 | 4,770 |
| Nasdaq 100 | 18,509 | 15,011 |
| Dax | 7,531 | 16,751 |
| CAC | 39,102 | 7,543 |
| Nikkei 225 | 2,939 | 33,464 |
| Shanghai | 81,741 | 2,975 |
| Sensex | 24,951 | 72,240 |
| Nifty 50 | 24,011 | 21,731 |

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