July 2024

NUGENIS NEWS

Financial planning for a *brighter* wealth

PEOPLE NEWS

A New Arrival At Nugenis

We are delighted to welcome Lynn Jones, who recently joined the Client Relationship Team as a Client Relationship Coordinator.

Lynn has worked in the financial services industry for over 30 years, mostly in complaints management, and holds the Diploma in Financial Planning.

Lynn lives in Bridgend, and in her free time enjoys travelling, swimming, and socialising with her friends and family.

OTHER NEWS

New Terms & Conditions

You should have recently received a copy of our new Terms and Conditions document for signing either by email or post.

If you received the document electronically, please use the DocuSign link to digitally sign the Marketing Consent Client Declaration page. If you received the document via the post, please complete the same steps as above by detaching the relevant page, signing then returning it to us in the prepaid envelope provided.

Please note that if you invest in our model portfolios run in conjunction with our investment partners at Bordier we must receive your express consent **before 1st August**. Under the terms of your existing agreement **we cannot continue to manage your money unless we receive this**.

If you invest in our portfolios and we have not received your confirmation in the next few weeks you will receive contact from your Financial Planner, however if you would like to discuss any aspect of this before then please do not hesitate to contact them directly or through our office.

Investment Commentary

July 2024

Market overview

Global equity indices rose in June although regional returns were mixed with positive returns from the US and Asian markets but some modest declines in UK and European indices.

The US market rose over 3% in Dollar terms on the back of supportive growth and inflation data and also some strong performance from technology and AI-related stocks, which similarly benefitted technology heavy markets in Asia such as Taiwan. On the economic front, while the June Purchasing Managers' Indices (PMIs) slightly disappointed, other key indicators in the US and elsewhere in the developed world continue to paint a broadly encouraging economic picture. Given that inflationary pressures have already substantially receded in key regions to more comfortable levels, hopes remain for a 'soft landing' and this, supported by recent resilient corporate earnings announcements, continues to provide a positive backdrop for equity markets.

Uncertainties still exist however. Despite more positive economic data and a rate cut from the ECB, European markets were hit by President Macron's decision to call a snap election which sparked some concerns around the potential repercussions of the election of anti-EU politicians. Sticky services-related inflation is also still complicating the inflation / interest rate backdrop, notably in the UK where services inflation still standing at a heightened rate of 5.7% dampened rate cut expectations and weighed on the market over the month.

The higher-for-longer interest rate backdrop has proved challenging for bond markets so far this year however bond yields were relatively stable over the month as a revised likely path for central bank rate cuts becomes more visible and accepted. Corporate bonds again outperformed as credit 'spreads' (the excess yield over sovereign bonds) remained steady on the back of positive economic and corporate data. As was expected and clearly signposted the ECB cut rates by 25 basis points at its June meeting - current expectations now point to two rate cuts in the UK and one in the US before the end of the year.

Strategy Positioning

We believe various tailwinds should continue to be supportive for financial markets in the coming months. We expect actual, rather than the possibility of, interest rate cuts from key central banks, more manageable levels of inflation and further progress towards central bank targets. We also expect improvements to economic growth, but not to levels that threaten central banks' expected actions, and a generally supportive environment for corporate earnings growth and sustained profit margins.

Our early repositioning has been frustrated somewhat by conflicting data on inflation and the trajectory for interest rates, but the stars now seem to be aligning for fixed interest investments. The yield 'spreads' between equivalent sovereign and corporate debt remain attractive, particularly in Europe, whilst government bonds also offer real returns now that inflation has shown meaningful moderation. We are maintaining our bias to corporate bonds, where superior income yields can be found, with exposure principally via active managers who are well-equipped to react as central banks themselves become more active.

Our core alternatives funds continue to perform well, providing clear diversification benefits in times of market weakness.

FEATURED ARTICLE

General Election 2024: What Next?

Since our last newsletter we now know the results of the 2024 General Election. For once the polls seem to have been right, and a significant shift in the political landscape saw the Labour Party secure a decisive victory. As Keir Starmer settles into 10 Downing Street, we wanted to take a look at what we may see in the coming year.

Election Takeaways

The first thing that is certain is the election outcome has not only reshaped the political scene but also set the stage for new policy directions and economic implications in the coming year. The victory was marked by a substantial increase in their parliamentary seats resulting in a 174-seat majority. Labour, Liberal Democrats, Reform and the Green Party all captured key constituencies that had previously been Conservative strongholds, with some changing hands for the first time since the Second World War.

Based on exit and other subsequent polls public discontent with their handling of issues such as the cost-of-living crisis, healthcare, and Brexit aftermath have all been cited as reasons people did not vote Conservative this time around, and while overall turnout was lower it's notable that this was higher compared to 2019 in certain groups, particularly among younger people.

Labour’s Stated Priorities for the First 12 Months

The significant Parliamentary majority has given the new administration a clear mandate, and the Labour government has already outlined several key priorities for the next year, most notably:

- Economic Reform: implementing policies aimed at reducing economic inequality, including an increase in the minimum wage, revising tax policies and investing in infrastructure projects to stimulate job creation and economic growth.
- Healthcare: The NHS will be a central focus, with plans to increase funding, reduce waiting times, and improve working conditions for healthcare professionals.
- Education: There is a promise to invest in schools, reduce classroom sizes, and provide free school meals to all primary school children.
- Climate Action: Labour has pledged to tackle climate change with urgency, aiming to achieve net-zero carbon emissions by 2035 through investment in renewable energy, green technologies, and sustainable infrastructure, as well as creating new green jobs.
- Housing: In the last few days Labour have announced plans to build around 1.5m new homes over the next 5 years, including affordable homes and improved regulations to protect renters.
- Social Justice: Promoting social justice and equality will include strengthening workers' rights, combating discrimination, and ensuring that public services are accessible and equitable for all.

Impact on Financial Markets

Financial markets have responded with a mix of caution and optimism to Labour's victory, with what has ended up being minimal volatility immediately before and after the results started to become evident on 5th July. Labour’s plans had been widely publicised before the Election, and the promise of increased public spending and investment in infrastructure has been positively received by sectors such as house building, construction and renewable energy.

Looking at some areas from the list above, the promises around additional house building will require a radical reform of planning legislation and, once approved, will bring huge benefits to house builders. The new National Wealth Fund, announced by the UK’s first female Chancellor of the Exchequer, Rachel Reeves, on 9th July, aims to increase investment in infrastructure and other climate-related projects, which in turn should encourage more private investment and positively affect those companies focusing on these areas.

With headline inflation starting to reduce, one of the key objectives will be to ensure core inflation follows the same path, at which point the Bank of England will start to reduce interest rates. According to data supplied by our investment partners at Bordier, Capital Economics, one of the UK’s leading economic and forecasting consultancies, is predicting a modest reduction in the base rate to around 5.0% by the end of 2024, then a more significant fall to 3.75% by the end of 2025.

Conclusion

Labour's victory in the 2024 General Election marks a significant political shift, bringing new priorities and policies aimed at addressing pressing social and economic issues. Sir Keir Starmer has made it very clear he wants ‘stability and moderation’ with his government, and while we will have to wait to see whether he can deliver that a significant Parliamentary majority will certainly help.

The long-term impact will depend upon the effectiveness of Labour’s policies in delivering sustainable growth. Key for most people will be getting interest rates (and so mortgages) and inflation under control, which in turn will help to alleviate some of the worst aspects of the cost of living crisis over recent years. Some of these changes may be seen relatively quickly, and expect to see numerous ‘big’ announcements over the coming weeks and months, but most will take much longer to have an affect, so it will very much be a case of ‘watch this space’ to see if what our new Government does is effective.

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