MUNRO

Comment

July 2024

Hope for lower inflation drives performance

UK equities delivered a good performance in July with low single digit returns. The Consumer Discretionary and Staples sectors led the way as falling inflation returned some spending power to the public. Hopes that interest rates might start to come down also helped sentiment and encouraged people to indulge themselves. The prospect of lower interest rates was also presumably why investors favoured the Utility sector for its reliable income streams and made it the standout best performer over the month with near double-digit returns.

Only Energy and Materials showed negative outcomes over the month, and that was mainly down to the strong gains made by sterling depressing dollar earnings translated back into the home currency. This had the effect of reducing the forecast dividend payment by UK companies next year by a small amount.

Over the short-term it is impossible to differentiate signal from noise in historic returns. Even over longer time periods events such as global pandemics, military actions and policy reactions to such things as financial crises muddy the analytical waters. Nevertheless, there is nascent evidence over the last decade that indices using value-based investment strategies do give better returns than conventional market capitalisation weighted indices.

Valu-Trac Investment Management Limited

Visit our website at https://www.munrofunds.co.uk