



Monthly Market Video: June

Commentary by Monica Defend

MD: Global equities reached new highs in May. In the US, inflation has slowed significantly. This opens the door to rate cuts, although timing is uncertain. Markets continue to expect central banks to support the economy in the coming 12 months.

Investors should now monitor these 4 main themes:

- Growth prospects for Europe and UK are improving slightly this year. In addition, US is likely to witness resilient economic activity in the first half of the year. But later on, weakening labour markets may weigh on US growth.
- Secondly, slowing inflation in Europe should allow the ECB to cut interest rates potentially ahead of the Fed. As inflation subsides and economic activity slows in the US, the Fed may also be inclined to reduce rates.
- Third, some segments in equities are expensive. Hence other cheaper areas in Europe and emerging markets may return in favour, led by earnings strength.
- Finally, market volatility could increase in case of any escalation in the Middle East. In addition, the global competition between US and China could continue. Europe is unlikely to alienate either side, given their importance to the region's trade.

A mild improvement in economic environment in regions such as Europe should offer rotation opportunities in equities that have lagged behind in this year's rally.

Investors should also focus on quality in credit and equities, for instance in emerging markets like India.