



Monthly Market Video: July

Commentary by Monica Defend

MD: In June, US stocks touched record highs driven by artificial intelligence-induced exuberance. Meanwhile, European equities struggled amidst political uncertainty after European parliamentary elections. Notably, the ECB cut interest rates for the first time in nearly five years.

Investors should now monitor these 4 main themes:

- We expect US economic growth to slightly decelerate in the second half this year. In Europe, economic activity is recovering supported by wage growth. Here we see divergences across countries, with Spain witnessing a robust outlook.
- Secondly, strong US consumer demand has translated into sticky inflation in the near term. Looking ahead, we maintain that price pressures could continue to subside in the US and Europe in the long term.
- And falling inflation would allow central banks to reduce their policy rates. However, any surprise on incoming data and labour markets could affect the timing of their decisions.
- Finally, uncertainty caused by political elections, risks of rising protectionism and tensions in the Middle East may affect market direction. 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.

Declining inflation and monetary easing may be positive for bonds, quality credit.

In addition, with a diversified stance, investors could potentially explore global and EM equities, for example in India.