July 2021
Market Commentary

July 2021 Market Commentary

Global Equities Markets (%)						
As of 31/07/2021	1 Month	3 Months	1 YTD	1 Year	3 Years	5 Years
S&P 500	1.69	4.94	15.71	28.21	53.07	106.47
MSCI Europe (Ex-UK)	1.46	4.86	12.03	25.55	26.21	63.64
FTSE All Share	0.53	1.80	11.68	26.64	5.48	32.28
MSCI ACWI IMI	-0.14	2.80	11.34	27.11	37.56	81.21
MSCI Emerging Markets	-7.33	-4.80	-1.47	13.89	18.63	56.43
MSCI Asia Pacific (ex-Japan)	-7.49	-6.44	-2.79	13.27	23.31	65.16

Source: Morningstar

Overall Market Backdrop, July

- For the second month running, the US region has proved to be a beacon of light for equity investors as they led global equities. The US, UK, and European markets were the only regions showing positive returns for July.

- The US bond market saw yields gradually decrease throughout the month of July, decreasing by 0.2% and ending on 1.24%.

- For the second month running the quality factor has been the best performing factor, retuning 2.89% for July.

Drivers of Market Conditions in July

- US equities continued their robust performance driven by strong economic data which waved off any resistance coming from high valuations and Delta variant concerns. The S&P 500 did see a slight fall from record highs earlier on in the month, but this was followed by a quick rebound. In the US, COVID-19 news was overshadowed by Q2 earnings optimism. To date, over 120 S&P 500 companies have reported earnings and from that, over 75% of them beating expectations by more than one standard deviation.

- Recovery from the pandemic as mentioned in previous market commentaries has and will continue to be different across countries. We are now entering a period where the Chinese growth is slowing, and Japan hasbeen delayed. Many equity regions struggled to make reasonable gains this month due to a variety of reasons:

  - In Japan, we saw Virus concerns lead Japan to declare a state of emergency in Tokyo before the Olympics.

  - Investors around the world are also worried about the sustainability of strong global growth. The Delta variantalso added to investor concerns as it continued to dominate recent COVID-19 cases.

  - Chinese stocks saw significant volatility as investors grappled with Beijing’s tighter regulatory actions which have inadvertently triggered episodic market volatility.

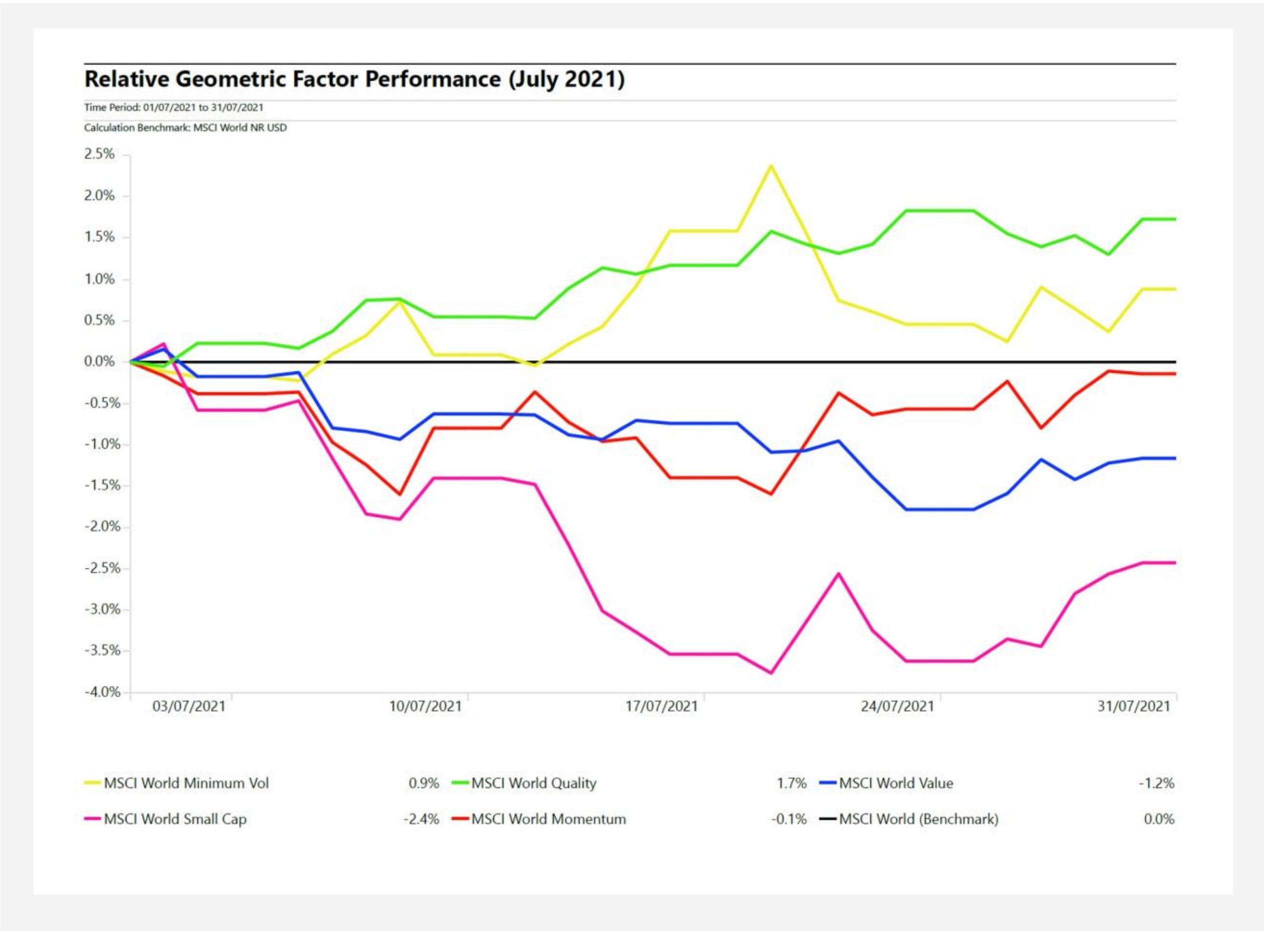
- Emerging market equities had a poor month and continued to lag the developed market as a whole. This wasdriven by the Chinese equity markets. In China, there was a volatility spike for equities, and this was due to reforms to the private tutoring sector. This included policy regulations for the technology sector, as well as actions, are taken to stabilise the housing market. China has been focusing on its long-term structural goals and this is reflected by the renewed focus from their policymakers.

- There was a big focus on the Delta variant in July as fears increased that it could lead to a slower rebound in parts of the world where vaccination rates are lower. The renewed investor concerns on global growth come from the Delta variant being highly transmissible. The impact on equity markets however was not to a great extent, this is due to high vaccine efficacy and quicker-than-forecasted vaccine roll-out.

- Europe has been continuing to narrow the gap with the US following an acceleration in vaccine distribution, this has benefited the region and can be seen by European equities as they have been the second-best performingregion for July. The ECB had a strategic review in July and one of the big outcomes came from an inflation adjustment, which saw a new 2% target. They also reiterated their interest rate policy and confirmed that interest rates will remain low for a very long time. The consensus remains that the fiscal policies already in placeseem to be here to stay with little changes for the near future

- US Treasury yields fell to the lowest level since February 2020 in July, and this was driven by 2 main reasons: concerns about future economic growth and the Delta variant rise in cases. On the back of these reasons economic data also helped push yields down as there was an increase in US jobless claims. However, there seems to be some form of detachment from bonds and the health of the economy and the strength of its recovery, surprisingly US equity and bond markets painted contrasting pictures; we saw the S&P 500 hit new highs while US Treasury yields slumped to lows last seen in February. One factor influencing bond yields comes from The Fed's plans to normalise monetary policy, signaling that a tapering of asset purchases is moving closer.

How did Factors Perform in July?



The chart shows the relative Factor performance benchmarked against a global index (MSCI World). Performance data is for eachfactor index over the course of the month, with the market benchmark being the black line horizontally shown along the x-axis.

- The quality index has continued its momentum from June and has been the best performing factor for 2-months running. The continued fears of inflation overshoots, Delta variant cases on the rise and global growth uncertainty within economic markets have played into the characteristics of quality companies. Quality companies tend to have structural tailwinds, strong balance sheets, and strong cash flows which makes the factor ideal to be resilient against a range of outcomes in the pandemic and economy.

- In markets, investors are grappling with new uncertainty and fears stemming from global growth concerns andthe rise in Delta variant cases, this has made investors rotate into quality and minimum volatility stocks. As seenat the start of the pandemic value and small-cap stocks have struggled when a factor threatened the reopeningof the economy as the Delta variant has done.

- Minimum volatility was the second-best performing factor of the month. The factor deliberately seeks to curtailupside moves by enhancing support on the downside, and we can see that in July the factor did precisely whatit is engineered to do and acted as a safeguard against periods of uncertainty and volatility

Factor Performance (%)						
As of 31/07/2021	1 Month	3 Months	YTD	1 Year	3 Years	5 Years
MSCI World Quality	2.89	8.53	15.96	28.35	64.99	120.21
MSCI World Minimum Vol	2.03	5.09	8.14	10.57	24.96	44.33
MSCI World	1.14	4.36	13.13	27.51	41.60	86.20
MSCI World Momentum	0.99	1.30	7.26	18.69	50.60	112.27
MSCI World Value	-0.04	1.70	13.48	27.73	16.73	47.90
MSCI World Small Cap	-1.32	-0.05	12.17	37.94	30.54	75.92

Source: Morningstar

01922 472226 enquiries@ebi.co.uk ebi.co.uk

Disclaimer

We do not accept any liability for any loss or damage which is incurred from you acting or not acting as a result of reading any of our publications. You acknowledge that you use the information we provide at your own risk.

Our publications do not offer investment advice and nothing in them should be construed as investment advice. Our publications provide information and education for financial advisers who have the relevant expertise to make investment decisions without advice.
The information we publish has been obtained from or is based on sources that we believe to be accurate and complete. Where the information consists of pricing or performance data, the data contained therein has been obtained from company reports, financial reporting services, periodicals, and other sources believed reliable. Although reasonable care has been taken, we cannot guarantee the accuracy or completeness of any information we publish. The views expressed our publications are the author's own and not necessarily those of EBI Portfolios Ltd. Any opinionsthat we publish may be wrong and may change at any time. You should always carry out your own independent verification of facts and data beforemaking any investment decisions.

Past performance is not a reliable indicator of future results. The value of investments, and the income from them may fall or rise and investors mayget back less than they invested.

Suite 7, Beecham Business Park, Northgate, Aldridge, WS9 8TZ 01922 472 226 ebi.co.uk enquiries@ebi.co.uk