

PERIOD ENDING 15<sup>th</sup> June 2024

# STANHOPE CAPITAL FORTNIGHTLY BULLETIN

## TACTICAL POSITIONING

In light of political maneuvering in the Eurozone, we have slightly reduced exposure to French sovereign debt and trimmed our euro currency exposure. Ultimately, however, we expect equity and bond markets in Europe, including the UK, to ‘muddle through’ the forthcoming elections and the independence of central banks should provide a robust backstop to any overly ambitious government spending plans.

In the US, as we discuss below, equity markets continue to make new highs with technology related stocks still leading the way. As we mentioned at the end of May, markets seem due for a pause but excitement about AI and the highly cash generative nature of several mega-cap companies (Apple, Microsoft, Nvidia, Amazon) has continued to support share prices.

## MARKET MOVES

	Equities (incl. Dividends)						
15-Jun-24	World (\$)	US (\$)	Europe <sup>1</sup> (€)	UK (£)	Japan (¥)	EM (\$)	Asia (\$)
Month to Date	0.5%	2.6%	-1.4%	-2.7%	0.9%	1.0%	2.9%
Year to Date	9.7%	13.9%	8.6%	5.1%	16.3%	5.0%	7.5%

	Commodities			Currencies (vs. USD)			Gov't
	COM <sup>2</sup> (\$)	Gold (\$)	WTI Oil (\$)	EUR	GBP	JPY	UST 10Y <sup>3</sup>
Month to Date	-0.6%	0.0%	1.9%	-1.3%	-0.4%	-0.1%	-6.2bps
Year to Date	6.1%	12.6%	9.5%	-3.0%	-0.4%	-10.4%	8.8bps

Note: <sup>1</sup>Europe excluding UK; <sup>2</sup>Bloomberg Commodity Index; <sup>3</sup>US Treasury 10 Year Yield shows absolute, not percentage, change in yield; Source: Bloomberg

## Quelle Surprise!

With more than 2 billion voters heading to the polls globally in 2024, France ‘rejoint la fête’ with President Emmanuel Macron calling a snap parliamentary election. The high stakes gamble sees his struggling centrist, ‘Renaissance’ party head to the ballot box in response to a hammering in the recent EU election, against Marine Le Pen’s far-right party, the National Rally (“RN”). With opinion polls leaning towards a victory for the RN, investors, concerned about a potentially unfunded spending spree amidst weak public finances, caused bond markets to sell off dramatically with the yield on the French 10yr treasury climbing 20 basis points to 3.22% in two days before settling at around 3.16%. French banks, which hold significant levels of government debt, fell over the fortnight, with the share prices of Soc Gen, BNP Paribas and Crédit Agricole amongst the biggest losers.

The political uncertainty also contributed to European equities enduring their worst daily performance over the past couple of months at -1.3%. The French equity market has fallen 7% over the last month, and the euro 3% against the dollar. When President Macron was asked if he would consider stepping down following an unsuccessful result, he disregarded the question saying the chance of that happening “never existed” and that the suggestion was “absurd”.

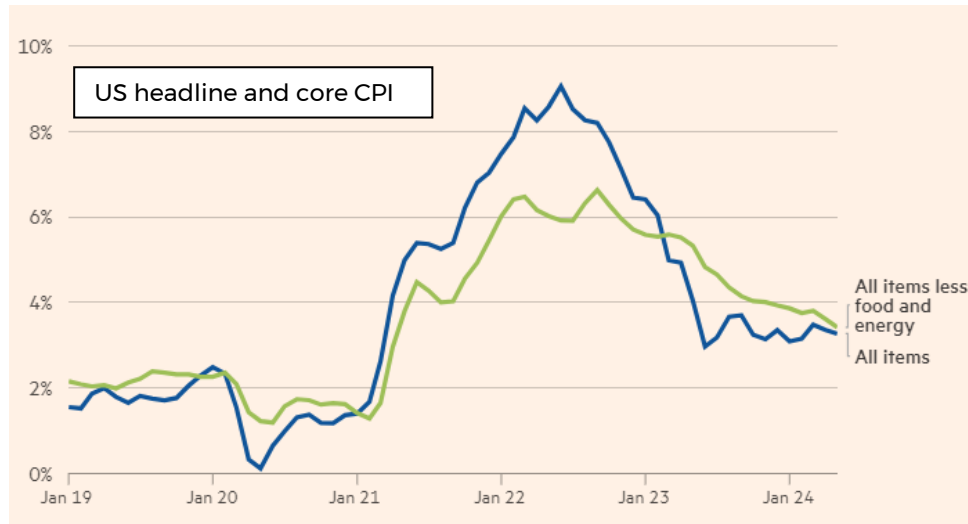
## Doves and Hawks

A dovish US Consumer Price Index (“CPI”) reading on Wednesday came in lower than expected with the headline year-on-year number rising 3.3% versus a predicted rise of 3.4%, along with the ‘core’ inflation reading (which strips out food and energy prices) coming in 3.4% higher against 3.5% projected. The data showed a small move in the right direction in the battle to control persistent inflation but the rhetoric from the Federal Open Market Committee painted a less optimistic backdrop for the timing of rate cuts. The dot plot of committee member

# Stanhope Capital Group

Investment Management | Consulting | Private Investments | Merchant Banking

forecasts points towards only one anticipated rate cut in 2024, a far cry from the three cuts predicted by the committee earlier this year and the six cuts implied by market pricing at the start of the year. Clearly, the Federal Reserve are looking for more proof that inflation is heading towards its 2% target. Nevertheless, the data release helped US equities to reach all-time highs after the announcement.



Source: US Bureau of Labor Statistics

## The current rate of play

There was a plethora of monetary policy meetings over the fortnight, led by the European Central Bank which cut interest rates by 25bps to 3.75%, followed by the Bank of Canada cutting rates by the same amount, to 4.75%, whilst the People's Bank of China and Bank of Japan opted to keep rates unchanged, as widely expected. The UK's Monetary Policy Committee meet on 20<sup>th</sup> June and are also expected to leave rates on hold.

## It pays to have a following

After a 3-year hiatus from his first live-streaming video YouTube's "Roaring Kitty", whose real name is Keith Gill, posted on Reddit that he'd spent \$116m buying GameStop stock, along with \$66m worth of options to buy more. The news initially sent the share price up 105%. Gill then seemingly sold a portion of his stock options.

## Nvidia upset the Apple cart

In our last bulletin we discussed NVIDIA reaching new all-time highs following a further surge in interest in artificial intelligence. The chip-maker made headlines as its market capitalisation eclipsed \$3trn, the third company ever in history to do so, and briefly overtaking fellow mega cap rival, Apple. NVIDIA's share price is up a cool 172% this year, at the time of writing, and currently accounts for 4% of the world equity index.

## ECONOMIC UPDATES

The weekly initial jobless claims in the US were slightly higher than forecast, at 242k versus 225k expected, indicating a slight weakening of the labour market, paving the way for a decrease in consumer spending.

The New York Fed's Survey of Consumer Expectations, a survey which measures consumers' expectations of economic and financial conditions, saw optimism increase, with equity prices expected to rise by 40% over the next 3 years.

In the UK, April's unemployment figures came in higher than anticipated, at 4.4%, versus an expected reading of 4.3%.

JONATHAN BELL, IVO COULSON, RORY TOWNSEND-ROSE

## IMPORTANT INFORMATION

The information contained herein (the "Information") has been prepared by the Stanhope Group. The Stanhope Group comprises Stanhope Capital (Switzerland) SA and its subsidiaries, including Stanhope Capital LLP and Stanhope Capital SAS. Stanhope Capital (Suisse) SA is incorporated in Switzerland and is affiliated with SO-FIT, the Supervisory Body for Financial Intermediaries & Trustees authorised by the Swiss Financial Market Supervisory Authority (FINMA). Stanhope Capital LLP is a limited liability partnership incorporated in England and Wales authorised and regulated by the Financial Conduct Authority (FCA). Stanhope Capital LLP is regulated by the US SEC under firm number 162512. Stanhope Capital SAS is a "Société par Actions Simplifiée" incorporated in France and regulated by the Autorité de Marchés Financiers (AMF).

Acceptance of delivery of any part of this Information constitutes acceptance to the conditions of this legal disclaimer.

The Information attached is being disclosed by the member of the Stanhope Group indicated in the Information and exclusively to the intended recipient (the "Recipient").

The Information does not constitute an offer to sell or a solicitation of an offer to buy any investment fund or other financial products. The Information does not constitute investment advice or advice with respect to the suitability of any investment.

### Restrictions

The Information is private and confidential and provided for information purposes only. No part of the Information is to be distributed, copied or disseminated directly or indirectly to anyone other than the Recipient and its professional advisers (for the sole purposes of obtaining advice). The Information should not be relied upon for tax, auditing or other purposes. The Information is not intended for any person in any jurisdiction (by way of nationality, residence, domicile or otherwise) where the publication or availability of it would be in contravention of any applicable law or regulation.

Opinions, estimates and statements contained in the Information constitute judgments of the Stanhope Group at the time of their preparation and are subject to change without notice.

The value of investments can fall as well as rise; potential income or profits are accompanied by the possibility of loss. The Recipient may not receive back the original amount invested. Past performance is not a reliable indication of future results. Performance figures included in the Information are unaudited except where indicated. Please refer to the risk warning notes provided next to any performance figures included in the Information. In certain circumstances prices stated may be historic because of the delay in obtaining prices and/or valuations from third parties. Valuations are based on either market prices available at the time of the preparation of the Information or on the Stanhope Group's reasonable estimates thereof at the time made. Valuations based upon other models or assumptions or calculated as of another date or time may result in different values. The valuation or returns on investments in currencies other than the base currency of a client's account may increase or decrease as a result of currency fluctuations.

The Stanhope Group may recommend or make investments for its clients in illiquid or volatile instruments or funds which may carry a high degree of default risk or in funds which utilise leverage/gearing which can exaggerate performance and may lead to large falls in value.

Any description of any investment process or investment management process described in the Information may change from time to time at the discretion of the Stanhope Group or otherwise.

While reasonable skill, care and diligence have been taken to ensure that the Information was accurate as at the date of writing, the Stanhope Group has not verified and accepts no legal responsibility for any third-party Information.

In addition, the Stanhope Group makes no representation, warranty, undertaking or guarantee, express or implied, as to the accuracy or completeness of the Information and opinions therein. No members of the Stanhope Group shall be responsible for or have any liability to any

Recipient or third party for losses or damages (whether consequential, incidental or otherwise) arising (i) out of errors, omissions or changes in market factors, conditions or circumstances or (ii) from making any use of the Information.

The Information does not replace, supplement or amend the contractual documentation entered between the relevant member of the Stanhope Group and the Recipient, including but not limited to (i) the required qualifications of the Recipient in order for such Recipient to receive the Information and (ii) the disclaimers and limitation of liability contained in such contractual documentation. Further, the Information does not replace, supplement or amend the documentation applicable to any investment fund or other financial products referred to in the Information.

### United Kingdom

To the extent that the Information is aimed at residents of the United Kingdom, the Information has been approved for issue in the United Kingdom by Stanhope Capital LLP. Stanhope Capital LLP's advice is categorised by the Financial Conduct Authority as "restricted" because it advises on investment funds, which are only one type of "retail investment product". Stanhope Capital LLP does not provide investment advice on other retail investment products, such as life insurance, stakeholder pensions or personal pension schemes.

### United States

The Information is not intended for residents of the United States or for any U.S. Person. The Information is not an offer to sell any securities to or for the benefit of United States persons or the solicitation of any offer to buy securities on the part of or for the benefit of any such United States persons. For the avoidance of doubt a U.S. Person does not include a U.S. Citizen resident outside the U.S.

### France

The amount that is reasonable to invest depends on the personal circumstances of the Investor. To determine this, the Investor must consider his personal and family situation, his personal assets, his current and future needs, but also his aversion to risk. It is also strongly recommended to sufficiently diversify your investments in order to reduce the risks. Investors should inquire about this with their usual advisers (legal, tax or accounting) before any investment.

The different risk profiles can be adapted according to the allocation ranges by asset class agreed in the investment objectives defined with the client.

The reports provided by Stanhope Capital regarding the management of life insurance contracts are for information purpose only, this does not replace the statement from the insurance company which remains the only formal statement to be considered for audit, tax or other purposes.