Client Portfolio Monthly Update – June 2021

June was another good month for the US, UK and European stock markets as lockdown restrictions continued to be lifted. The US led all markets higher, and, by month end, the US stock market had risen 8.5% for the second quarter of the year and European stocks were not far behind. Strong economic data underpinned the stock market rise. The closely watched Purchasing Managers Index hit a multi-year high but was widely predicted as companies responded to the rebound in the economy.

It is evident that there is considerable pent up consumer demand which, in turn, is fuelling a rise in inflation both in the US and here in the UK. This emerged as the main concern for investors at the beginning of the year. However, over the last few months, both the US Federal Reserve and the Bank of England have indicated that they see the current rise in inflation to be temporary. If this proves to be the case, then they will apparently allow their respective economies to run a little hot, above their target inflation rates, without needing to restrain it with interest rate hikes. This outlook is one of the most important factors driving stock markets higher.

The bond market appears to agree since the US 10-year bond yield fell 30 basis points to end the second quarter at 1.45%. The bond market also enthusiastically took up the new European Union issue of EUR 20 billion in 10-year bonds. Issued with a positive yield, the issue was several times oversubscribed and, whilst the amount was not remarkable is terms of its size, the event was hailed as a "Hamilton moment" as the beginning of a whole new state issuing debt as the USA did in 1790 at a Federal level.

As the third quarter starts and we enter the summer months, we expect economic data to remain unusually strong due to the Covid related bounce back. Some profit taking would not be surprising. But with yield increasingly hard to find, we would be inclined to see any break in the long running stock market recovery as an opportunity rather than a setback.

Diving deeper into the performance of the model portfolios, it has been a strong month, with all the models excluding Risk 9 outperforming their sector benchmarks. The table to the side shows each portfolio against its relevant sector benchmark, with a column showing outperformance or underperformance. *

		1m	Sector 1m	Relative to Sector
0-35% Shares	Risk 2	0.99%	0.71%	0.28%
	Risk 3	2.12%	0.71%	1.41%
20-60% Shares	Risk 4	2.62%	0.90%	1.72%
	Risk 5	3.27%	0.90%	2.37%
	Risk 6	3.55%	0.90%	2.65%
40-85% Shares	Risk 7	3.25%	1.63%	1.62%
	Risk 8	2.92%	1.63%	1.29%
Global	Risk 9	2.73%	3.25%	-0.52%

Throughout the month of June, we have been analysing our portfolios, and with the upcoming Investment Management Committee (IMC) meeting in July, there may be an opportunity to have a re-focus on some of the asset allocations for the lower risk levels. Due to the meeting being next month, there have been no amendments to the portfolios during June.

Information in this report is at the last valuation point on 2nd July 2021 (except where indicated).
*source: FE Analytics