Mid-Year Market Review – July 2024

An Encouraging First Six Months

The continued strength in global markets has continued into the first half of 2024. The main indices continue to be driven by a handful of mainly technology stocks. The primary driver continues to be excitement around A.I., helped by some very positive earnings reports. The ‘poster child’ here (NVIDIA) rose by 31% in Q2, despite a drop of 11% in the latter part of June. This is after a rise of 84% in Q1 and having trebled in 2023. During June it briefly became the most highly valued company on world markets.

2024 Returns to 30th June	
Index, Currency, Bond	**Gain/Loss**
Global Equities (MSCI World) (€)	15.2%
Dow Jones Industrial Average ($)	4.1%
S&P 500 Index ($)	15.3%
Emerging Markets Index (MSCI €)	10.8%
Eurozone Equities (MSCI €)	8.3%
Irish Property (Irish Life Exempt Property)	-4.9%
Gold Price ($)	13.0%
Commodities Index (€)	11.9%
Eurozone Government Bonds	-3.1%
Eurozone Corporate Bonds	0.6%
Eurozone Inflation Linked Bonds	-2.2%
Irish Inflation (projected)*	**3.5%**

* Inflation figure based on the CPI to July 2024

Bond Returns Weakening

This does however go against the grain of weaker bond markets. The expectation for the US markets was for up to 6 interest rate cuts in 2024, this is now reduced to one or possibly two before year end. Hence it is no surprise that bond returns have been negative and also highlights the folly of following forecasters. Inflation data in the US and Europe has been the main cause of the change, with inflation relating to services proving stubborn. The ECB and the Bank of Canada however did cut rates, by 0.25% in each case.

French Election
Eurozone bond funds and indices were hit late in Q2 by changing perceptions about the composition of the next French government. The spread on French bonds over German bunds widened sharply. Interestingly, and little covered in the media, France's sovereign debt was downgraded from AAA to AA by Standard & Poors in May. This was before the political picture changed and was based on the deteriorating budgetary position.

Geopolitical Tensions
While macroeconomic conditions have stabilized, with rate cuts aligning with falling inflation and the advent of AI and quantum computing heralding a new era of productivity, geopolitical tensions are at their highest since the Cold War. The situation in Ukraine, serving as a proxy war involving Russian clashes with US-led NATO, signals a global conflict. China's quiet support of Putin and actions that seemingly undermine Western interests hint at an agenda that may include aspirations towards Taiwan.

European Reluctance To Face Reality
There is a noticeable hesitance among European politicians – apart from those from Finland, Sweden, the Baltic States, and Poland - to acknowledge the likelihood that Putin's imperialist ambitions extend beyond Ukraine, with Moldova most likely next in line. The situation is complex with the conflict in Ukraine eventually stabilising into a frozen state unfortunately for the Ukrainians.

Gold Price At All Time High
The volatility of the geopolitical landscape continues to influence the gold market, with prices up by +13% in USD and +16% in EUR this year. Since 27th June 2019, before the quantitative easing that accompanied the lockdowns, gold has risen by +74.45% from €1,241 (see FT article [Gold Prices Hover Near Record High](#)). Should geopolitical risks diminish, we may be on the cusp of a long-term bull market in natural resources, including oil, gas, and coal – ironically all essential for the transition to zero carbon.

Gold Price Chart

**Quoted price per ounce is the latest known price of the dayst known price of the day*

A.I. Power Market Growth

The recent domination of major index movements due to a small number of companies has been quite remarkable. Apart from the sheer scale by which these stocks have dominated returns, the legend indicates that change in valuation has accounted for the bulk of return. The scale of the growth in these stocks means that global equity indices are more concentrated than has been the case for six decades with over 21% now made up of this small number of stocks.

Stock	% of MSCI World Index
Microsoft	4.8
Apple	4.7
NVIDIA	4.6
Alphabet (A&C)	3.0
Amazon	2.7
Meta	1.7
Total	**21.5**

You Don't Need To Pick Winners

While anyone who owned significant amounts of NVIDIA shares would have done very nicely, it's not obvious that investors should now be buying the stock if they don't already own it. As companies grow, the market's expectation for continued earnings growth means that any future disappointments will be heavily punished by the market.

Owning The Worlds Major Indices

However, more importantly, it is worth remembering that you are already an NVIDIA shareholder if you are invested in a diversified global equity fund. These funds track the world's major indices, like the S&P 500. NVIDIA was added to the S&P 500 index as far back as 2001. As it has grown over the years, global equity funds have steadily increased their ownership of NVIDIA, meaning that most investors have benefited from its meteoric rise in share price.

Reduce Your Stress Levels

Global equity funds, which include the market's top companies, save you from the guesswork and stress of picking individual stocks. This same story is likely to play out many times in your lifetime. As new companies rise to the top, your share of them will also. **Interestingly, Microsoft is the only top ten stock from 1999 still in the top ten 25 years later.**

You Don't Need To Pick The Winners

A GLOBAL EQUITY FUND MEANS YOU'LL ALWAYS OWN THE BEASTS

THE TOP 10 BIGGEST GLOBAL STOCKS PER YEAR...

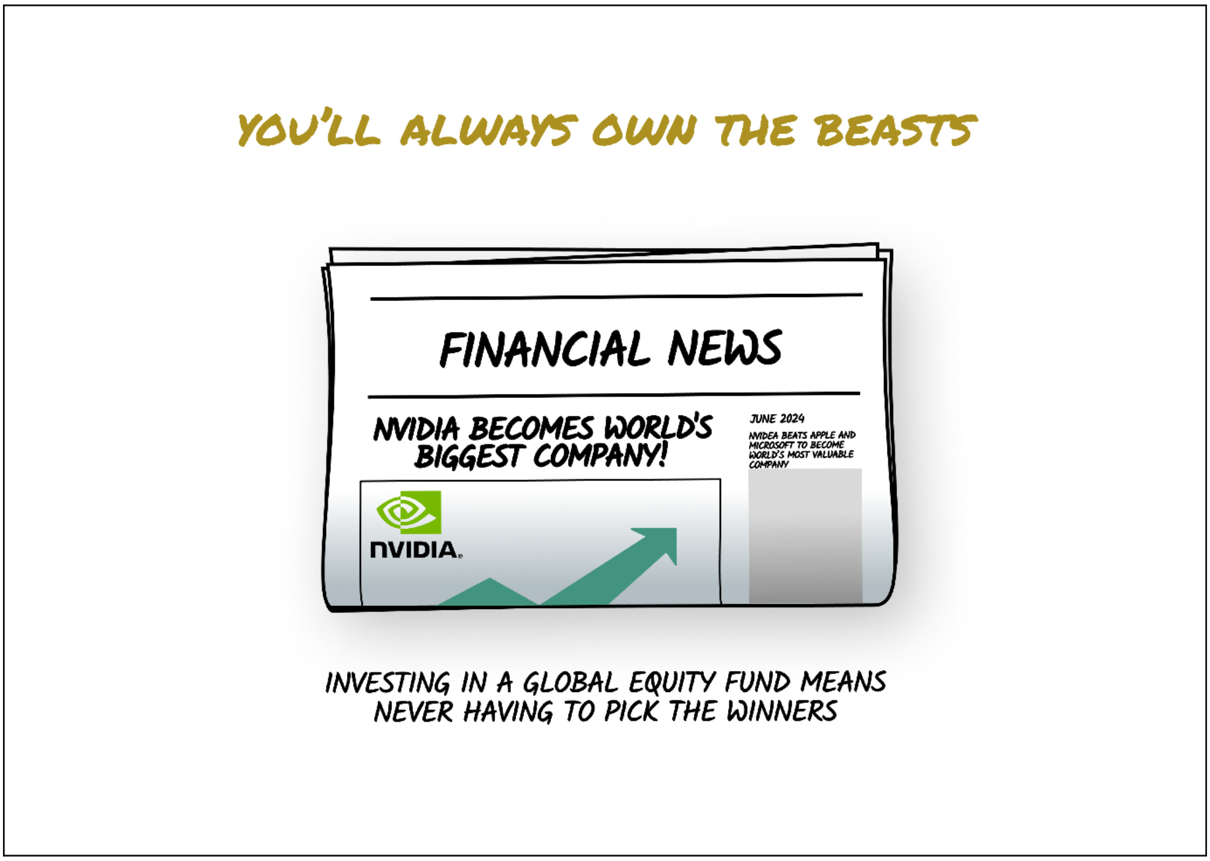
	1	2	3	4	5	6	7	8	9	10
2013	Apple	ExxonMobil	Microsoft	Alphabet	Berkshire Hathaway Inc.	GE	J&J	Walmart	Roche	Chevron
2014	Apple	ExxonMobil	Microsoft	Berkshire Hathaway Inc.	Alphabet	PetroChina	J&J	WELLS FARGO	Walmart	ICBC
2015	Apple	Alphabet	Microsoft	Berkshire Hathaway Inc.	ExxonMobil	amazon	GE	J&J	WELLS FARGO	JPMorganChase
2016	Apple	Alphabet	Microsoft	Berkshire Hathaway Inc.	ExxonMobil	amazon	J&J	JPMorganChase	GE	WELLS FARGO
2017	Apple	Alphabet	Microsoft	amazon	Meta	Tencent	Berkshire Hathaway Inc.	Alibaba	J&J	JPMorganChase
2018	Microsoft	Apple	amazon	Alphabet	Berkshire Hathaway Inc.	Meta	Tencent	Alibaba	J&J	JPMorganChase
2019	Apple	Microsoft	Alphabet	amazon	Meta	Alibaba	Berkshire Hathaway Inc.	Tencent	JPMorganChase	VISA
2020	Apple	Microsoft	amazon	Alphabet	Meta	Tencent	TESLA	Alibaba	tsmc	Berkshire Hathaway Inc.
2021	Apple	Microsoft	Alphabet	amazon	TESLA	Meta	NVIDIA	Berkshire Hathaway Inc.	tsmc	Tencent
2022	Apple	Microsoft	Alphabet	amazon	Berkshire Hathaway Inc.	UnitedHealth Group	J&J	ExxonMobil	VISA	Tencent
2023	Apple	Microsoft	Alphabet	amazon	NVIDIA	Meta	TESLA	Berkshire Hathaway Inc.	Lilly	tsmc

Source: FT Global 500
For illustrative purposes only.

Protection Of A Diversified Portfolio
Companies that make the news for exponential growth almost always experience periods where they lose more than half of their value over short periods of time. For example, in 2022, Amazon lost close to 60% of its market value while the market as a whole only declined 25%. A global fund gives you the growth exposure of the stocks that fly while also giving you the protection of a diversified portfolio.

Ignore The Noise
While the above good news seems common sense, you will seldom read about it in the financial media. Growing wealth slowly over time does not make for exciting headlines. A story about the latest stock to explode makes for a better story, which is why you will always wonder if you are losing out to others.

Key Benefits of Index Funds
There are numerous reasons to own index funds, and the data shows that they tend to outperform actively managed funds over meaningful periods. One key advantage of index funds is that they always include the market's dominant companies. It's impossible to predict which sector will dominate the top 10 spots. But the good news is, you don't need to guess because you'll own a small slice of it regardless.



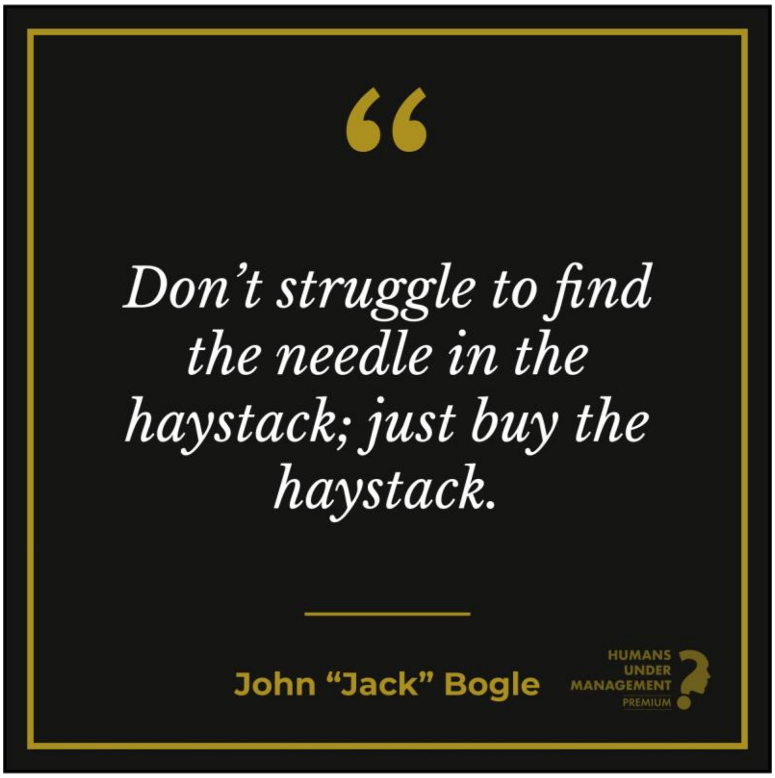
Take The Stress Out of Your Investment Decisions
Some stocks die, some stocks fly, and some stocks really soar. **Trying to pick these winners in advance is a fool's errand.** By owning a broad global equity fund, you will be a part-owner in the market's dominant companies, even those no one could predict with foresight. This approach allows us to benefit from the growth of these global giants without the stress and uncertainty of trying to pick individual winners. It also offers the benefits of a diversified portfolio of the Great Companies of the World.

Outlook
If the geopolitical risk does calm with the beginning of real engagement between protagonists, the backdrop is favourable to gains in equities especially to lower priced regions – outside of the US. As rates are cut by Central Banks this should also help equity values. Depending on the scale and pace of cuts it is not unreasonable to expect mid to high single digit gains in bond portfolios by year-end 2024 and repeated more robustly next year. We continue to prefer passive equity exposure but with substantial tilts towards value and markets outside the US which give the benefit of diversification.

I hope you have found this update useful and as always we remain on hand to help with any queries.

Ronan McGrath
Managing Director
Oakwood Financial Advisors

7th July 2024



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