

Summer Newsletter 2024

July 2024

As we come to the end of what has been a typically poor Summer of sunny spells and rain showers, we feel that this is as good a time as any to reflect on the year so far and prepare for the opportunities and challenges ahead. In this newsletter, we aim to highlight the key financial, geopolitical and economic updates and our own internal insights as we look ahead to 2025 and beyond.

Primary discussion points since our Spring Newsletter:

- **Inflation & Interest Rates**
The first rate cut in nearly 5 years!
- **Risks of recession fading**
Consumer and market optimism growing.
- **Geopolitics & Elections**
Has the world found stability?
- **Market outlook and strategy for 2024**

Global Inflation & Interest Rates

One of the most encouraging developments of this year has been the steady return to 'normal' levels of inflation, back toward government targets of 2-3%.



Figure 1 – Annual Rate of Inflation (CPI) UK

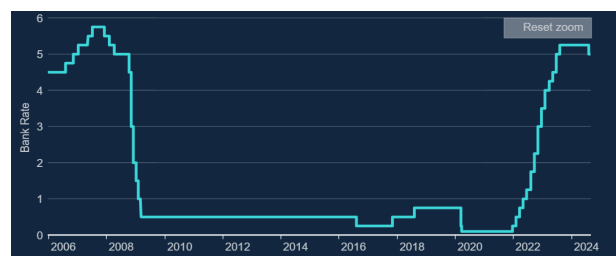


Figure 2 – Bank of England Base Rate

*The last time UK interest rates were above 5%,
the term, 'Credit Crunch' didn't even exist!*

Earlier this month, the Monetary Policy Committee actioned the first UK interest rate cut for nearly 5 years. Analysts expect this to signal the start of an interest rate cutting cycle for the remainder of 2024 and into 2025, which should provide a boost in UK economic activity and market growth.

Risk of UK Recession Fading

The risk of a severe recession, which loomed large at the start of the year, is showing signs of receding. This positive shift is driven by several factors, including easing global inflation, interest rate cuts, and an increase in consumer spending.

This environment has bolstered consumer confidence, translating into increased market activity and investment. Businesses and consumers are demonstrating renewed optimism, laying a solid foundation for sustained economic expansion in the coming years.

Geopolitics & Elections – Russia vs Ukraine, Trump vs Harris etc...

The ongoing conflicts in Ukraine & Palestine continue to cast a shadow over global geopolitics. Despite the persistent tensions, consumer optimism and market confidence have shown remarkable resilience. This unexpected stability suggests that markets have adapted to the uncertainty, with investors finding new ways to navigate the complex landscape. Vigilance remains essential, but the resilience of the markets offers a hopeful outlook for the remainder of the year.

By the end of 5th November, the U.S.A. will have a new or renewed president in command (hopefully, no unexpected fireworks!) ... As I'm sure you can expect, these elections could have significant implications for economic policies and market conditions, but while it is too early to predict outcomes, we will keep a keen eye on the developments and help you navigate any changes.

Market Outlook: 2024/2025 & Summary Thoughts

Looking ahead, the overall market outlook for 2024 and 2025 appears promising. The combination of easing inflation, potential interest rate cuts, and resilient consumer confidence sets a positive tone for future growth. Here are some key points to consider:

- **Equities:** With consumer optimism on the rise, equity markets are expected to perform well. Sectors such as AI & technology, healthcare, and sustainable energy are likely to lead the charge.
- **Bonds:** As interest rates decline, bonds may offer attractive opportunity for even higher risk investors, particularly in the short to medium term.
- **Money Market:** With rates at 5%, Money Market investments remain attractive, although we have likely already seen the peak return in this sector for some time.

As we move through 2024 and into 2025, staying informed and adaptable is key. We encourage you to reach out with any questions you may have, and we will be sure to help where we can.

Thank you for your continued trust, and we look forward to seeing you at your next review meeting.

Kind regards,

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