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Market Snapshot

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Investors rotated out of the mega-cap technology stocks that have fuelled the recent bull market, with small cap stocks in the US benefitting. Falling inflation and the looming onset of interest rate cuts in the US has brightened the outlook, with the Russell 2000 US small-cap index up 2.3% over the last week.

Technology stocks were also hit by concerns about the future of the global computer chip industry. This followed a report that the Biden administration could further tighten restrictions on exports of semiconductor equipment to China. Donald Trump also said that Taiwan, the world's biggest producer of microchips, should pay for its own defence.



Mr Trump survived an assassination attempt last weekend and has now secured the Republican presidential nomination. What the Trump rally shooting means for markets.

Over the week, the blue-chip FTSE 100 index was 0.2% lower by mid-session on Friday, with the more UK-focused FTSE 250 trading falling 0.7%.

Economics

UK inflation held steady in June, remaining at the Bank of England's target rate of 2%, according to the latest official figures. Discounts on clothes in summer helped offset a jump in the cost of hotel stays. Overall, inflation rose at 2% in the year to June, unchanged from May.

UK retail sales slumped in June by more than expected, as cautious households reined in their spending amid poor weather. Figures from the Office for National Statistics (ONS) show retail sales volumes fell 1.2% in June, after a rise of 2.9% in May. Economists had forecast a shallower 0.4%

decline. Grant Fitzner, the ONS chief economist, said department stores, clothing shops and furniture stores were the biggest contributors to the fall.

Pay in the UK is rising at its slowest rate in almost two years. Wages grew at an annual pace of 5.7% in the three months to May but are still rising higher than prices. The number of job vacancies has fallen while growth in the number of employees on payrolls has slowed, the Office for National Statistics (ONS) said. The unemployment rate remained at 4.4% in the three months to May.



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UK Government borrowing was higher than expected in June. The difference between public sector spending and income from taxes was £14.5bn, down £3.2bn year on year and the lowest figure for June since 2019. However, the figure was about £3bn more than economists had forecast. The total amount of government debt remains at levels last seen in the early 1960s, the Office for National Statistics (ONS) said.



The European Central Bank (ECB) kept interest rates unchanged but said September's meeting was "wide open" as it downgraded its view of the Eurozone's economic prospects and predicted that inflation would keep on falling. The ECB cut rates from record

highs last month but the central bank is proving more cautious about a follow-up step.

Geopolitics

Donald Trump said he would crack down on immigration, slash taxes and renew trade wars if given another four years in the White House. Mr Trump has officially accepted the Republican presidential nomination following a failed assassination attempt last weekend.

Joe Biden is reportedly considering stepping aside as the Democratic presidential candidate after he was forced to withdraw from public duties after catching Covid-19. A poor performance against former President Donald Trump in the first televised debate has raised fears about his age and ability to win in November. Former president Barack Obama has told allies that Biden's path to victory had greatly diminished – and he should rethink whether he can win, The Washington Post reported. Former House Speaker Nancy Pelosi has told Biden that she is pessimistic about his chances, according to CNN.

Technology stocks fell amid concerns about the future of the global computer chip industry. This followed a report that the Biden administration could further tighten restrictions on exports of semiconductor equipment to China. Donald Trump also said that Taiwan, the world's biggest producer of microchips, should pay for its own defence.

The King's Speech at the State Opening of Parliament did not contain any major surprises.

Company news

Businesses including banks, airlines, railways, telecommunications companies, TV and radio broadcasters, and supermarkets were taken offline on Friday, with the outage linked to **Microsoft** cloud software. According to initial reports, the IT outage has been blamed on an antivirus software update that has gone awry at global security firm, **CrowdStrike**. Devices, such as computers and phones, have become “bricked,” meaning that they're not able to function as they should due to corrupted software.

Miner **Anglo American** maintained its annual copper and iron ore production guidance in its second-quarter update, but cut steelmaking coal output forecasts after a fire at its Grosvenor mine in Australia last month. Anglo has put its five operating coal mines, development projects and joint ventures in Australia up for sale, as part of a wider plan to offload non-core assets to focus on higher copper production output after a failed effort by fellow Australian miner to take over the company.

3i Group reported a positive start to its financial year, with a 4% increase in net asset value (NAV) per share to £21.67 in the first quarter. The company's biggest portfolio company, Action, the Benelux-focused non-food discount retailer, put in a strong performance. 3i raised its stake in the retailer from 54.8% to 57.6%.

Credit checker **Experian** also reported a solid first quarter reiterated its full-year guidance. First-quarter organic sales increased by 7%, which is in the middle of the guided range of 6-8% for the year. This growth was across both main divisions and all four regions. Overall, management still expects another year of growth and “good” margin expansion, despite the soft credit backdrop. Experian has a track record of resilient growth, benefits from structural opportunities in Brazil and support from a broad portfolio that includes some counter-cyclical revenue streams.

Defence technology company **Qinetiq** said it remains on track to meet full-year market expectations following a good first-quarter operational performance. Its £100m share buyback programme is also on track to be completed in the financial year, with £32m of shares purchased by the end of the first quarter.

Construction contractor **Kier** said that full-year revenue and profit were set to be in line with market expectations. In an update for the year to 30 June, Kier pointed to a year-end order book of around £10.8bn, up around 7% on the prior year. It said around 85% of revenue for the current year had already been secured.

Johnson & Johnson beat estimates for second-quarter profit and revenue, driven by strong sales of its drugs, including cancer treatment Darzalex and blockbuster psoriasis drug Stelara. This compensated for weakness in its Meditech business. However, the recent acquisition of Shockwave Medical is expected to facilitate the transition to higher-growth cardiovascular markets in the second half of the year and boost the segment's performance.

Netflix said it added more than 8 million subscribers in its second quarter as the streaming service benefited from a password-sharing crackdown and the popularity of such titles as Bridgerton and Baby Reindeer. While the subscriber gains topped analyst predictions of 5 million, Netflix issued cautious guidance for the third quarter and said its advertising business would not become a primary driver of revenue growth until at least 2026.

Taiwan Semiconductor Manufacturing Company (TSMC), the world's largest contract chipmaker,

raised its full-year revenue forecast given surging demand for chips used in artificial intelligence (AI). TSMC has benefited from the global AI boom and is regarded as a bellwether for the chip industry. For the current quarter, TSMC said its revenue would increase by as much as 34%, in a range of between \$22.4bn to \$23.2bn.

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