United Capital

UNITED CAPITAL WEALTH MANAGEMENT

GLOBAL MARKET OUTLOOK
AUGUST 2024

EXECUTIVE SUMMARY

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US – So far, the resilient US jobs market was a core reason for high investor confidence in the US economy. On 2nd August, it was reported that job growth totalled 114,000 in July, much lower than expected, and unemployment rate rose to 4.3%. Meanwhile, inflation has been decelerating at a comfortable pace; the PCE price index came in at 2.5% year on year in June, a versus 2.6% in May, and perfectly in line with consensus. Excluding volatile items, the Fed's preferred measure of inflation remained stable compared to May at 2.6%. Manufacturing & Services PMI surprised to the downside and were in contractionary territory at 46.8 & 48.8 respectively in June. All these data releases point towards the slowdown that the Fed was waiting for, in order to cut interest rates. In it's 31st July FOMC meeting, the Fed signaled rate cuts from September 2024, in line with our expectations.

Eurozone – Euro Area Inflation Rate YOY Flash reading for July came in at 2.6% versus 2.5% in June. Unemployment rate increased to 6.5% in June from 6.4% in May. Manufacturing and services PMIs both declined in July in the Eurozone. The manufacturing index came out at 45.6, down 0.2 over the month, extending a contraction that has been uninterrupted for two years now. At 51.9, the services index continued to expand, but dropped by 0.9 for the third consecutive month. These figures underline the fact that the economic situation in the Eurozone remains deteriorated and should prompt the ECB to initiate further rate cuts.

UK – On 1st August, the Bank of England (BoE) made its first rate cut since March 2020. The BoE cut rates from a 16-year high by 25bps to 5%. British consumer price inflation returned to the BoE's 2% target in May and stayed there in June. Wage growth at nearly 6% is almost double the rate the BoE views as consistent with 2% inflation but is slowing in line with the central bank's expectations. The BoE now thinks Britain's economy will expand by around 1.25% this year, up from a previous forecast of 0.5%, after stronger-than-expected growth earlier this year. Services PMI remains sticky and high at 52.1 in June versus 52.9 in May. High wage growth and a strong service sector may pose a threat to further rate cuts during the rest of the year.

Japan – On 31st July, BoJ raised short-term policy rate to 0.25% from 0-0.1%. They additionally announced that they would halve monthly bond buying to Yen 3 trillion in Q1 2026. BoJ Governor Kazuo Ueda did not rule out another hike this year, if inflation remains on track. The hawkish comments pushed the dollar below 150 yen for the first time since March.

Source *- Bloomberg, United Capital WM Research*

EXECUTIVE SUMMARY – INVESTMENT IMPLICATIONS

Fixed Income: In a major market risk-off move, the benchmark US 10-year Treasury yield has fallen below 4% for the first time since February. We believe that weak manufacturing data, a slowing labour market and a dovish Fed will keep rates volatile for the time being. US 10-year yields may rebound to 4.30%-4.40% as volatility subsides.

Equities: The "great rotation" was the overarching theme for US Equities in July, with investors selling off the Mega-cap tech names on the back of disappointing Q2 results and buying small-cap stocks on the back of expected benefits to them from the upcoming interest rate cuts. We expect S&P to target 5550-5580; gains could be capped at these levels. Job openings have been declining along with quit rates, indicating a weak job markets. This along with decline in consumer spending will weigh on the economy. We remain cautious on Global Equities as economic slowdown gathers pace in the second half of the year.

Currencies:

As the rate cuts have been priced in, USD could bottom out against Euro, CHF & GBP and target 1.0680, 0.90 & 1.27 respectively.

USD/JPY has appreciated strongly on the back the BoJ rate hike and global market volatility. We expect the Yen to maintain an appreciating bias versus other currencies due to divergence in global central bank policy versus BoJ. Our 6- month target is at 145.

Precious metals: We expect Gold & Silver to correct by 5%-7%. Weakening inflation across the globe and slow-down in central bank buying supports correction/pull back.

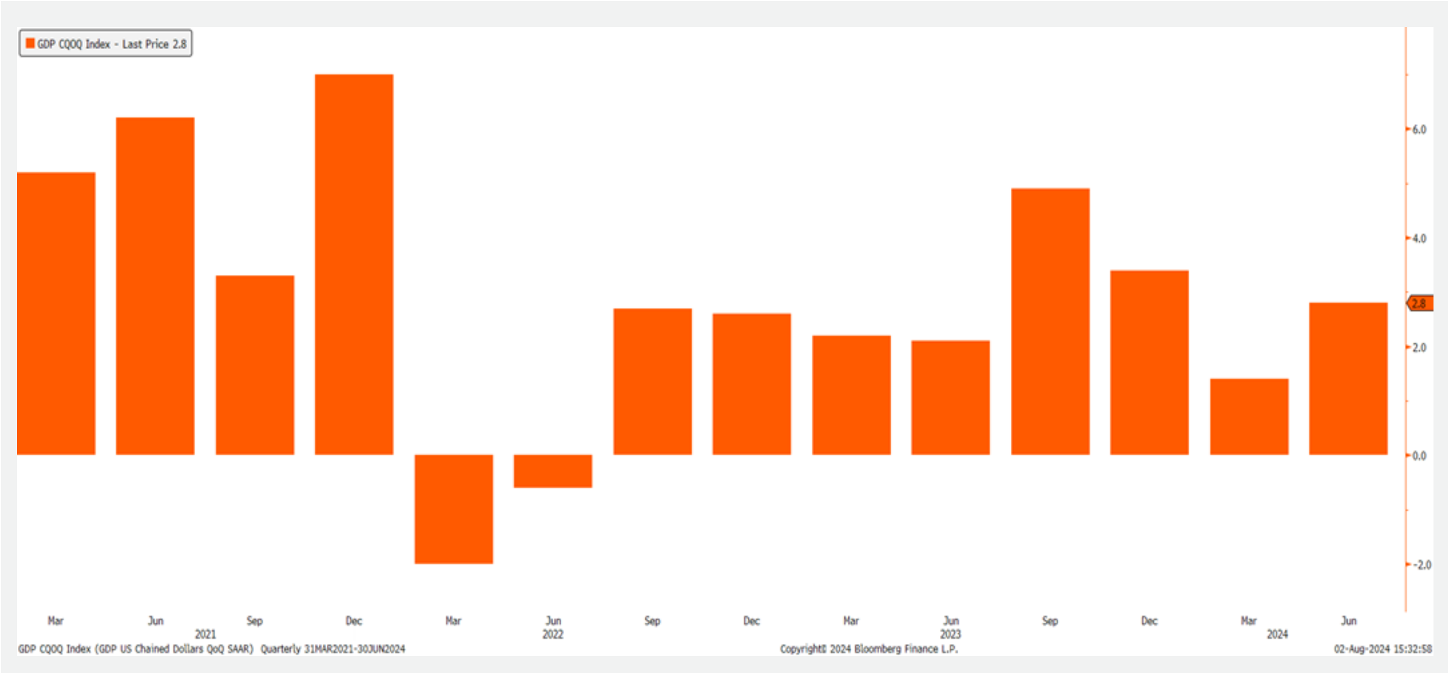
Crude oil: Oil prices have fallen from a 2024 high above $92 a barrel in April to below $81, pressured by concern about the strength of demand, while OPEC+ ministers have kept oil output policy unchanged. Oil prices are currently finding support from increasing tensions in the Middle East. Flare up in tensions will add further to price pressures. Oil could target $95-100 if $90 is breached.

__Source -__ Bloomberg, United Capital WM Research

KEY ECONOMIC DATA

US – STRONG GROWTH IN Q2, BUT LEADING INDICATORS POINT TO CONTRACTION

US GDP growth picked up last quarter, led by consumer spending.

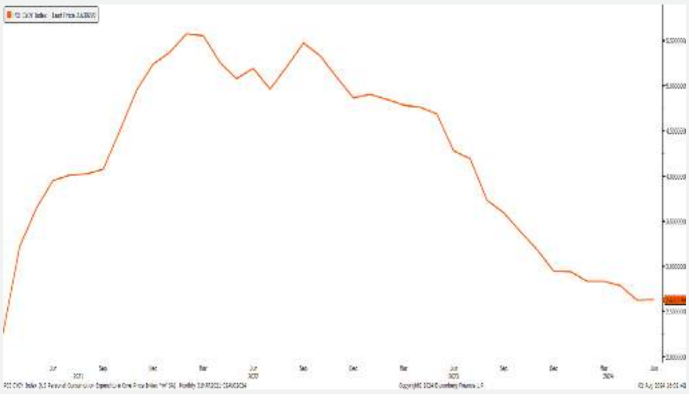


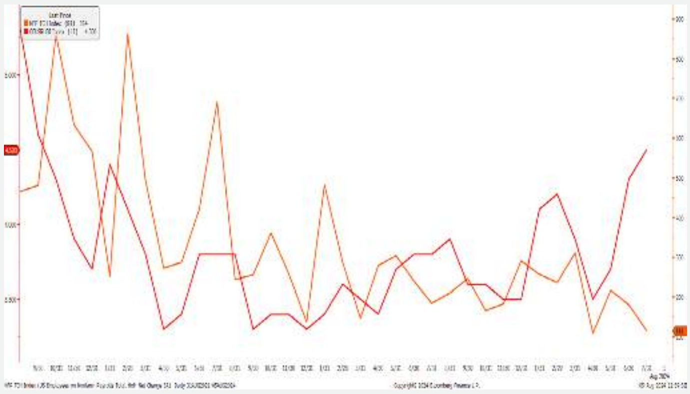
However, Manufacturing and Services PMIs are trending lower in contractionary territory.

Source - *Bloomberg, United Capital WM Research*

US – PCE DECLINED, UNEMPLOYMENT RISES & PROBABILITY OF A RATE CUT INCREASES

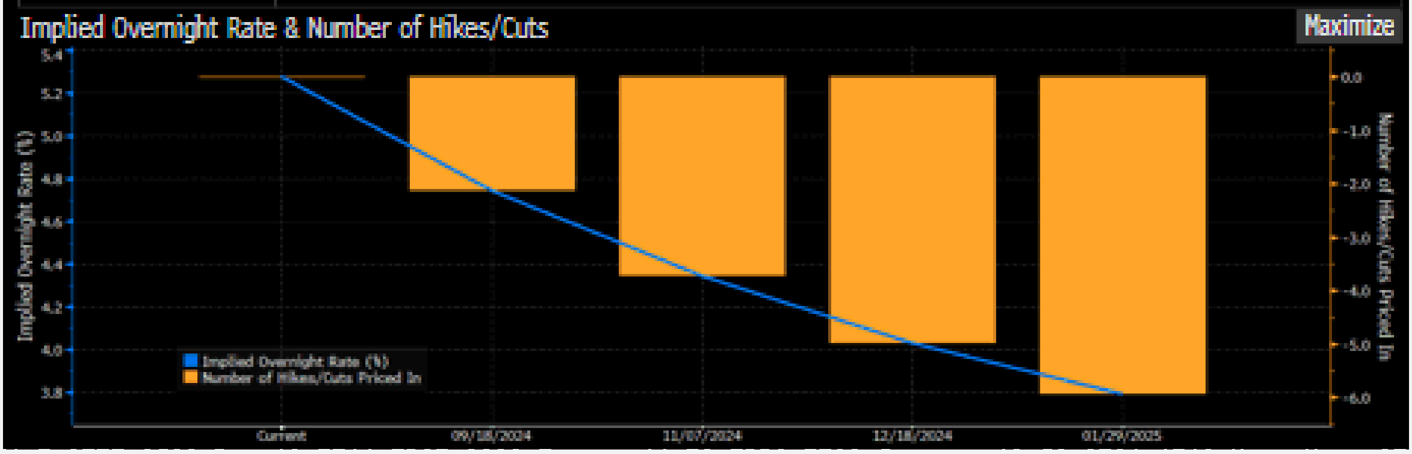
US inflation decelerated in June. Unemployment increased and jobs growth declined more than expected in July…





…increasing market expectations and magnitude of a first rate cut by 50 bps rate in September 2024

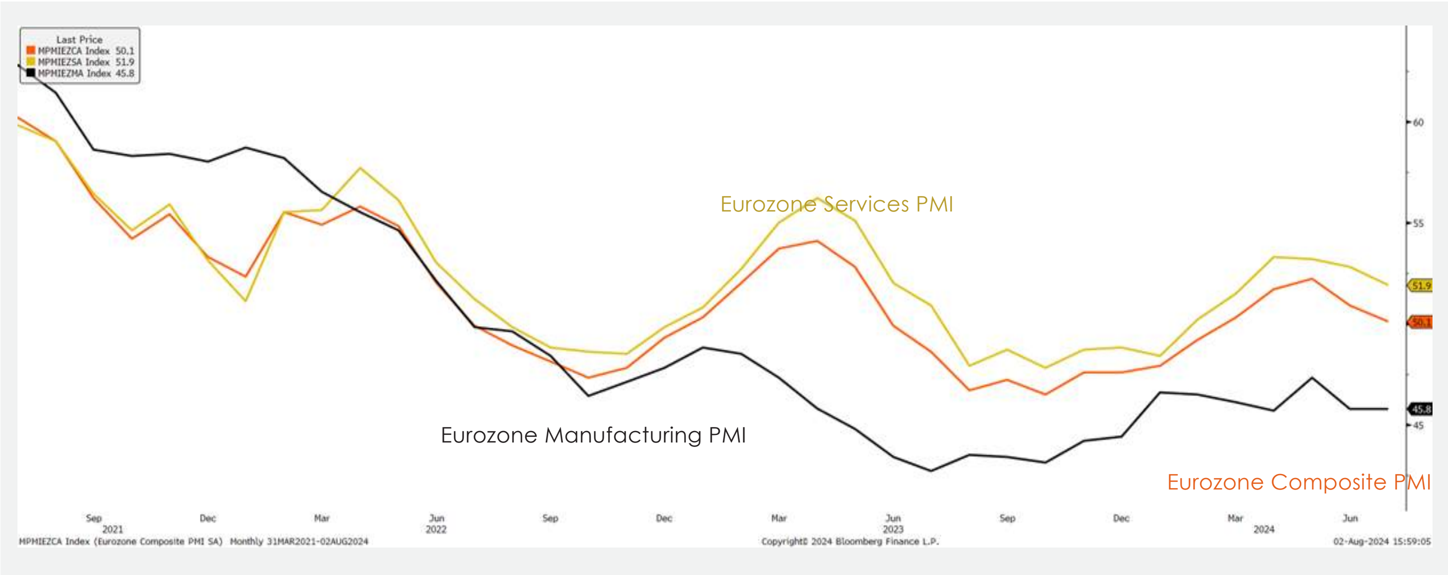
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
09/18/2024	-2.129	-212.9%	-0.532	4.742	0.250
11/07/2024	-3.719	-159.0%	-0.930	4.344	0.250
12/18/2024	-4.979	-126.0%	-1.245	4.029	0.250
01/29/2025	-5.935	-95.6%	-1.484	3.790	0.250



Source - *Bloomberg, United Capital WM Research*

EUROZONE – DECLINING PMIS AND SLOWING LABOUR MARKET POINT TO FURTHER RATE CUTS

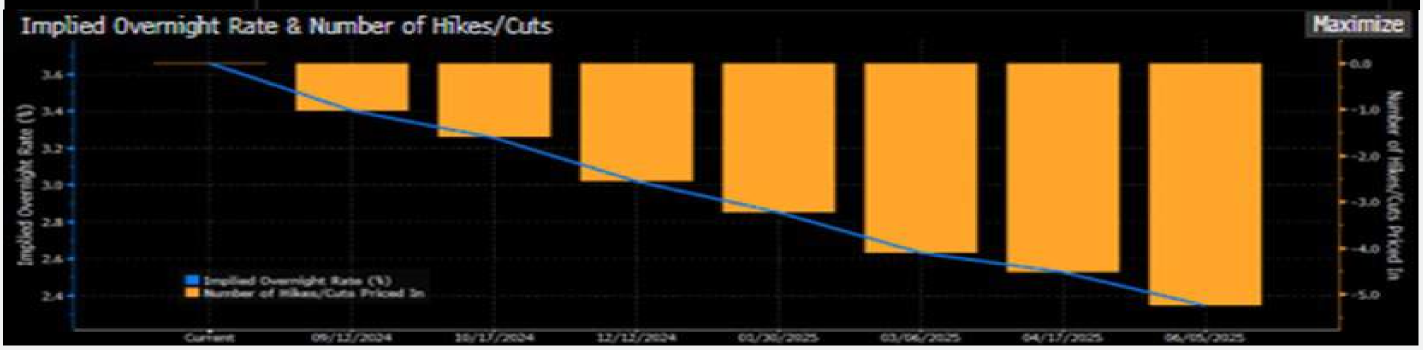
European PMIs declined…



…supporting expectations for an ECB rate cut in September

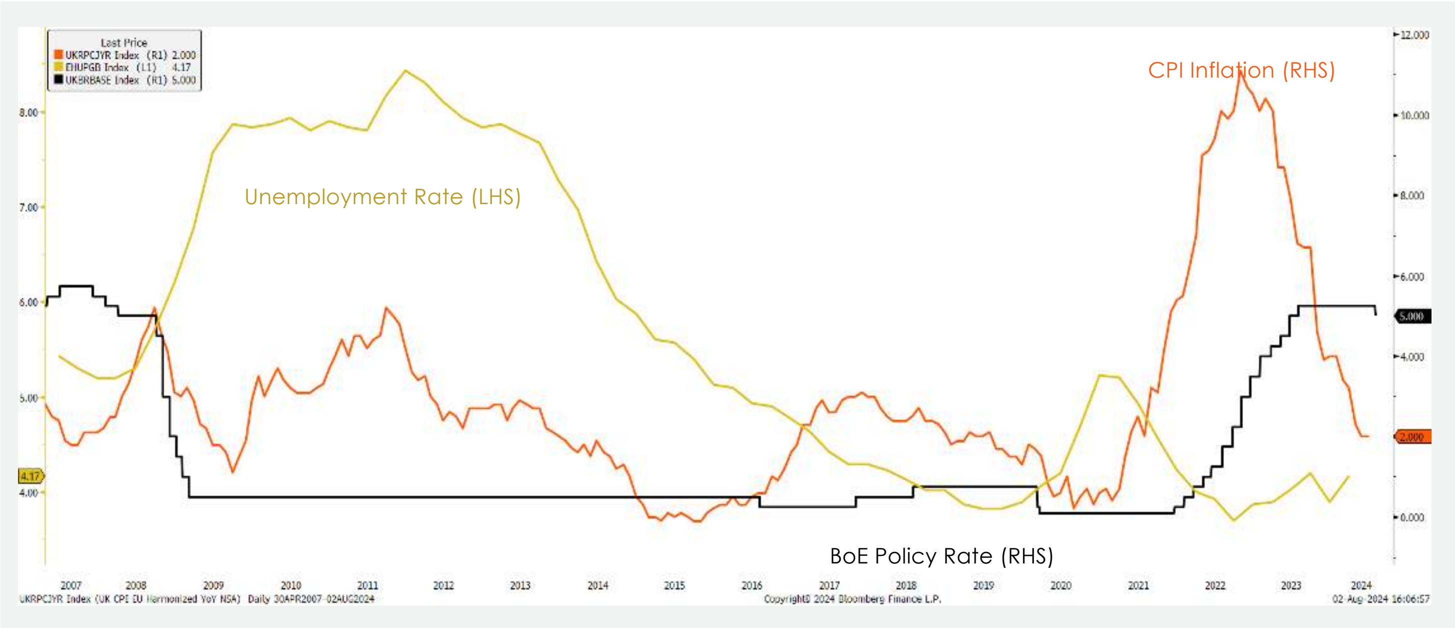
Region: Eurozone »
Target Rate 3.7500
Effective Rate 3.6640
Instrument: Overnight Index Swaps »
Pricing Date 08/02/2024
Cur. Imp. O/N Rate 3.658

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
09/12/2024	-1.022	-102.2%	-0.255	3.403	0.250
10/17/2024	-1.607	-58.5%	-0.402	3.256	0.250
12/12/2024	-2.551	-94.5%	-0.638	3.020	0.250
01/30/2025	-3.228	-67.6%	-0.807	2.851	0.250
03/06/2025	-4.102	-87.4%	-1.025	2.633	0.250
04/17/2025	-4.528	-42.6%	-1.132	2.526	0.250
06/05/2025	-5.252	-72.5%	-1.313	2.345	0.250

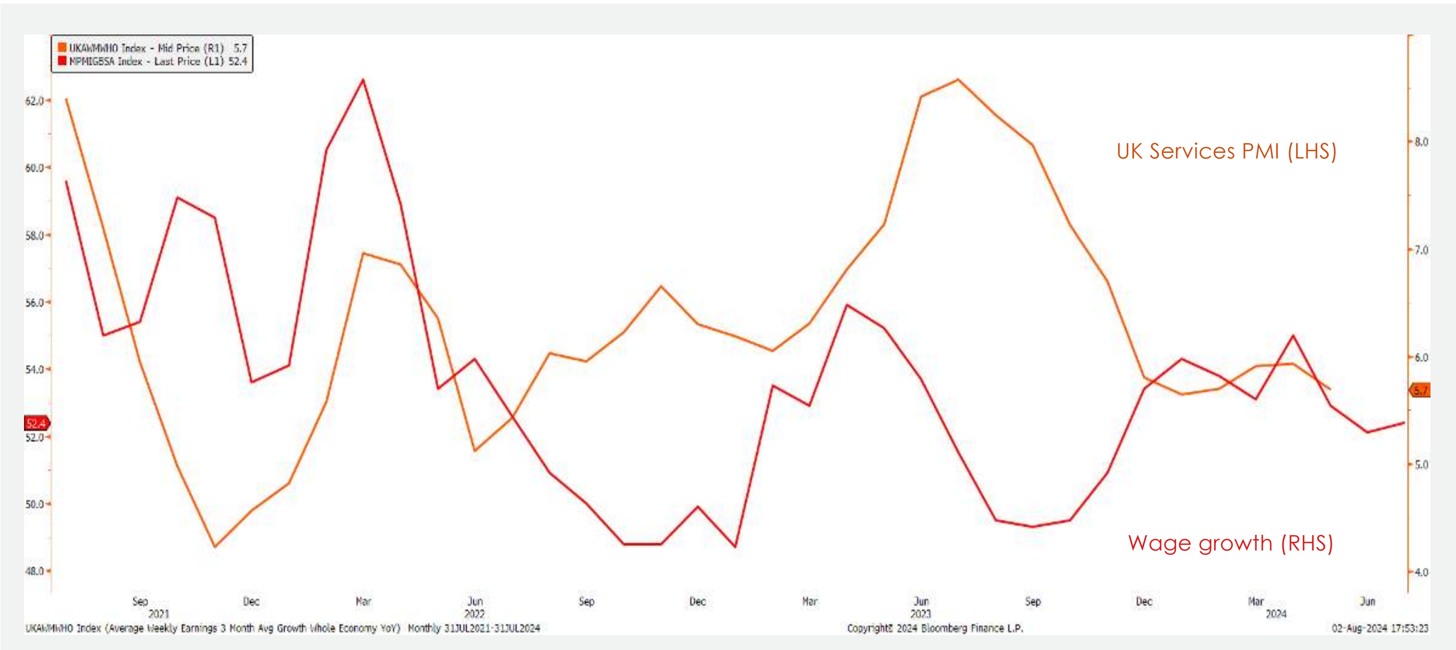


***Source** - Bloomberg, United Capital WM Research*

UK – FIRST RATE CUT DONE, BUT INFLATION RISKS MAKE FURTHER CUTS UNCERTAIN



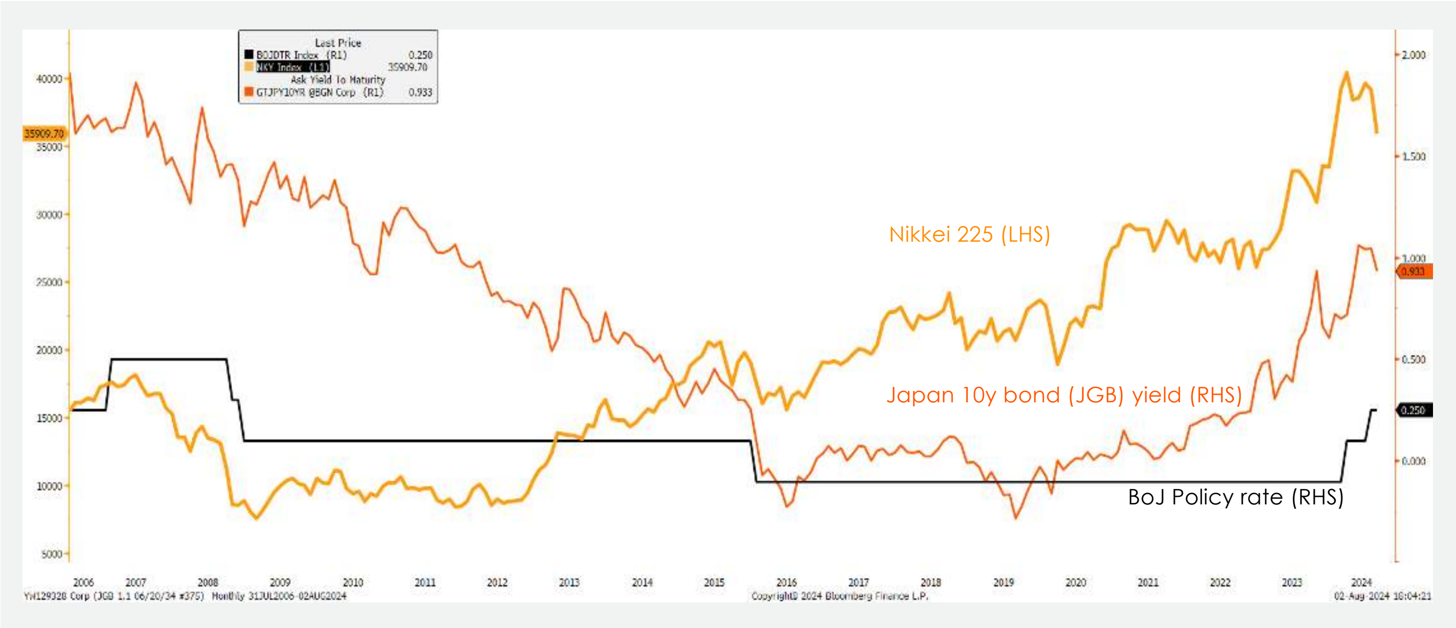
However, still elevated wage growth and strong services sector poses upside risks to inflation, making future rate cut timing and pace uncertain.



Source - *Bloomberg, United Capital WM Research*

JAPAN – FIRST RATE HIKE DONE, MORE TO COME

Japanese equities drop and Yen appreciates sharply as BoJ hikes interest rate to 0.25% and takes a hawkish stance for the rest of the year.



***Source -** Bloomberg, United Capital WM Research*

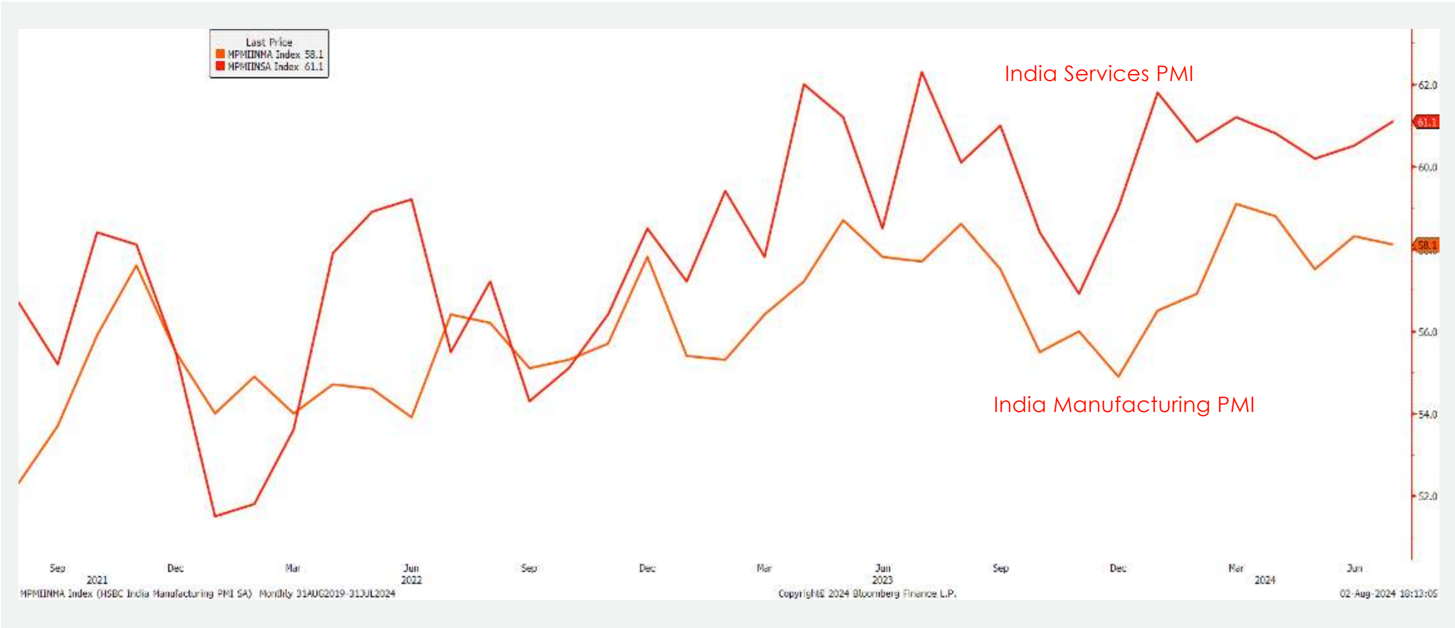
CHINA – ANOTHER RATE CUT AND FOCUS ON STRATEGIC REFORMS BRINGS A RAY OF HOPE

- On July 24th, the People's Bank of China (PBOC) announced an unexpected reductionin the 7-day reverse repo rate to 1.7% from 1.8%, marking the first cut since last August. Consequently, commercial banks lowered the one-year Loan Prime Rate (LPR) to 3.35% from 3.45%, and the five-year LPR to 3.85% from 3.95%. The country's growth target is 5% for 2024.
- The 20th 3rd Plenum of the Communist Party of China Central Committee concluded on July 18, 2024, highlighting strategic economic trajectory for the next five years.
  - **Technology is a focal** point in the transition of the economic model. For the first time, new quality productivity is highlighted as a distinct priority. Key areas such as science, technology, education, and human resources receive significant emphasis. Despite short-term overcapacity risks in certain industries and increasing geopolitical constraints, sustained efforts in long-term initiatives within the new-energy sector, high-tech manufacturing and high value-added exports reaffirm the strategic reform agenda for the coming decade.
  - **Risk, security, education, and defense** are given greater emphasis. The primary factors elevating the profiles of 'security' and 'risk' include international geopolitical tensions and weak domestic demand. The Communiqué explicitly outlines the necessity 'to prevent and resolve risks in key areas such as real estate, local government debt, and small- and medium-sized financial institutions.' Given this clear focus on mitigating real estate risks, further supportive measures are anticipated. Accelerating the urbanization process is identified as a potential solution for the challenges facing the real-estate market. The proposal aims to foster equal exchange between urban and rural areas and to narrow the disparity between them. Future reforms may concentrate on accelerating urbanization, directing capital to rural areas, and reallocating land quotas from rural regions to cities. These initiatives are expected to stimulate demand in the property sector.

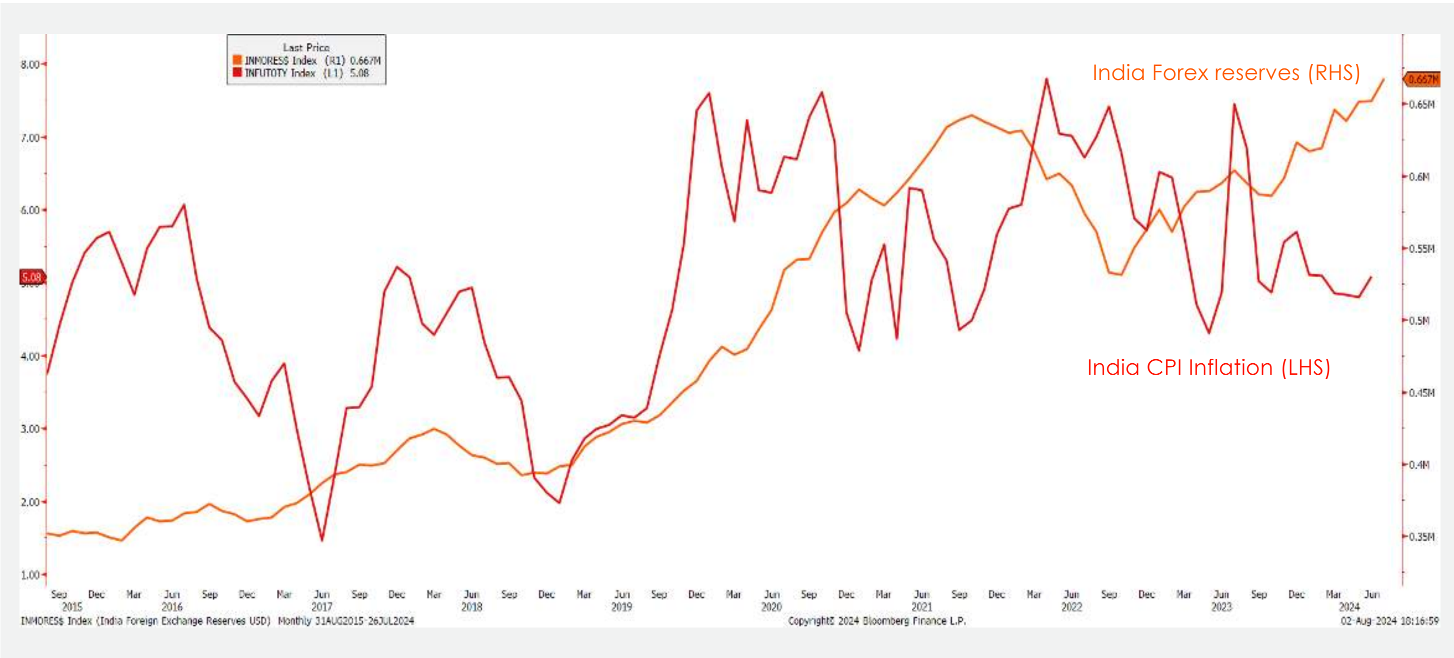
Source - *Bloomberg, United Capital WM Research*

INDIA – LONE SHINING STAR WITH ROBUST GROWTH AND BENIGN INFLATION

Composite PMI rose to 60.9 in June from 60.5 in May, indicative of robust economic growth.



Foreign Exchange reserves remain stable and high at $670 billion, supporting the currency. Inflation rose in Jun with YOY growth of 5.08% versus 4.75% in May.

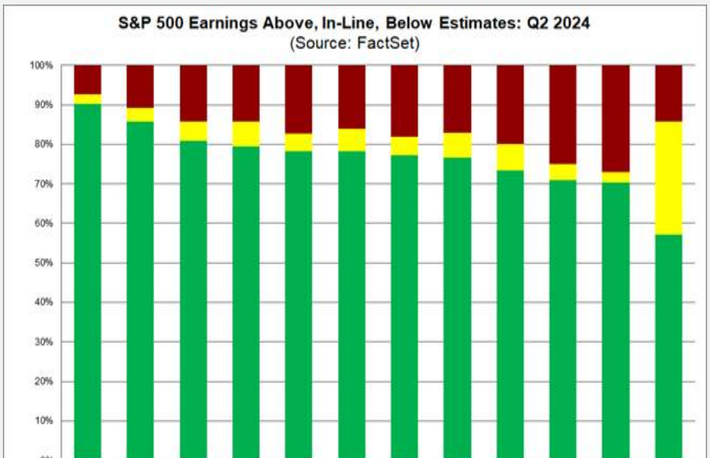


Source - *Bloomberg, United Capital WM Research*

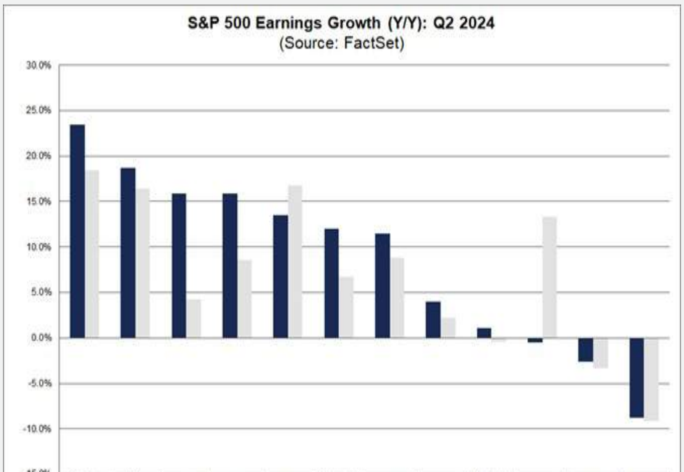
ANNEXURE

S&P 500 – Q2 2024 EARNINGS SEASON UPDATE

- Overall, 75% of the companies in the S&P 500 have reported actual results for Q2 2024 to date.
- Of these companies, **78% have reported actual EPS above estimates,** which is above the 5-year average of 77% and above the 10-year average of 74%.* The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth rate for the second quarter is 11.5% currently, which is the highest year-on-year earnings growth rate since Q4 2021. In terms of revenues, **59% of S&P 500 companies have reported actual revenues above estimates,** which is below the 5-year average of 69% and below the 10-year average of 64%.*
- **Eight of the eleven sectors are reporting year-over-year growth for Q2. Six of these eight sectors are reporting double-digit growth: Communication Services, Information Technology, Financials, Utilities, Health Care, and Consumer Discretionary. On the other hand, three sectors are reporting a year-over-year decline in earnings, led by the Materials sector.**
- The forward 12-month P/E ratio is 20.7, which is above the 5-year average (19.3) and above the 10-year average (17.9). However, this P/E ratio is below the forward P/E ratio of 21.0 recorded at the end of the second quarter (June 30).



	Health Care	Real Estate	Industrials	Financials	Utilities	S&P 500	Materials	Info. Technology	Energy	Consumer Staples	Consumer Disc.	Comm. Services
Below	7%	11%	14%	14%	17%	16%	18%	17%	20%	25%	27%	14%
In-Line	2%	4%	5%	6%	4%	6%	5%	6%	7%	4%	3%	29%
Above	90%	86%	81%	79%	78%	78%	77%	77%	73%	71%	70%	57%



	Comm. Services	Info. Technology	Financials	Utilities	Health Care	Consumer Disc.	S&P 500	Real Estate	Consumer Staples	Energy	Industrials	Materials
Today	23.4%	18.7%	15.9%	15.9%	13.5%	12.0%	11.5%	4.0%	1.1%	-0.5%	-2.6%	-8.7%
30-Jun	18.4%	16.4%	4.3%	8.6%	16.7%	6.7%	8.9%	2.2%	-0.4%	13.3%	-3.3%	-9.1%

Source – *FactSet, United Capital Research*

ASSET CLASS - PERFORMANCE

Asset Class	Instrument	2021	2022	2023	YTD 2024
Commodities	Natural Gas	46.9%	20.0%	-43.8%	-20.1%
	Brent Crude oil	50.2%	10.5%	-10.3%	0.2%
	Nickel	26.0%	43.2%	-45.0%	-2.2%
	Copper	26.8%	-14.6%	2.1%	5.7%
	Silver	-11.7%	2.8%	-0.7%	21.3%
	Gold	-3.6%	-0.3%	13.1%	19.9%
	Platinum	-9.6%	10.9%	-7.7%	-2.5%
	Palladium	-22.2%	-5.9%	-38.6%	-18.2%
	Coffee	76.3%	-26.0%	12.6%	21.4%
	Bloomberg Commodity Index	27.1%	13.8%	-12.6%	-3.4%
Currencies	Japanese Yen vs. U.S. Dollar	-11.5%	-13.9%	-7.6%	-3.9%
	Swiss Franc vs. U.S. Dollar	-3.1%	-1.3%	9.0%	-2.2%
	Australian Dollar vs U.S. Dollar	-5.6%	-6.2%	0.0%	-4.1%
	New Zealand Dollar vs U.S. Dollar	-5.0%	-7.0%	-0.5%	-5.3%
	Canadian Dollar vs U.S. Dollar	0.7%	-7.3%	2.3%	-4.3%
	Euro vs U.S. Dollar	-6.9%	-5.8%	3.1%	-1.1%
	GBP vs. U.S.Dollar	-1.0%	-10.7%	5.4%	0.8%
	Dollar index	6.4%	8.2%	-2.1%	1.9%

Asset Class	Instrument	2021	2022	2023	YTD 2024
Fixed Income	Bloomberg US Treasury Index	-2.3%	-12.5%	4.1%	1.7%
	Bloomberg Global High Yield	1.0%	-12.7%	14.0%	5.2%
	Bloomberg EM Local Currency Debt	-1.6%	-8.4%	6.9%	0.7%
	Bloomberg Global Aggregate - Corporate	-2.9%	-16.7%	9.6%	1.7%
Equities	Shanghai A shares	4.8%	-15.1%	-3.7%	-2.3%
	Japan Nikkei 225	16.0%	4.9%	16.2%	7.3%
	FTSE 100	14.3%	0.9%	3.8%	5.9%
	Euro zone STOXX	21.0%	-11.7%	19.2%	3.0%
	S&P 500	26.9%	-19.4%	24.2%	11.7%
	Dow Jones Industrial Average	18.7%	-8.8%	13.7%	5.2%
	Nasdaq 100	26.6%	-33.0%	53.8%	8.9%
	MSCI Frontier Markets	16.4%	-29.0%	7.3%	3.6%
	MSCI Emerging Markets	-4.6%	-22.4%	7.0%	6.3%
	MSCI Developed Markets	20.1%	-19.5%	21.8%	11.0%
	MSCI All-Country	16.8%	-19.8%	20.1%	10.5%
Volatility	Volatility index S&P500	-24.3%	25.8%	-42.5%	84.7%
	Volatility index Nasdaq	-21.3%	30.2%	-41.3%	75.1%
	Volatility index Eurostoxx 50	67.5%	-17.6%	-29.5%	64.2%

Source – *Bloomberg, Refinitiv, United Capital Wealth Management*

ASSET CLASS - PERFORMANCE

Asset Class	Instrument	2021	2022	2023	YTD 2024
MSCI world sectors	MSCI World Index	20.1%	-19.5%	21.8%	11.0%
	Utilities	7.1%	-7.0%	-2.5%	10.4%
	Energy	35.1%	41.1%	-0.7%	6.2%
	Consumer Staples	10.8%	-8.0%	0.1%	5.3%
	Real Estate	21.1%	-28.0%	3.4%	-0.8%
	Materials Sector	12.9%	-13.7%	11.7%	1.0%
	Health Care	18.3%	-6.6%	2.4%	11.5%
	Industrials	15.1%	-14.6%	21.2%	8.9%
	Financials	25.1%	-12.4%	13.1%	12.6%
	Communication Services	13.4%	-37.6%	44.0%	17.9%
	Information Technology	29.1%	-31.3%	52.3%	18.1%
	Consumer Discretionary	17.1%	-34.0%	33.6%	2.4%

Source – *Bloomberg, Refinitiv, United Capital Wealth Management*

United Capital

UC OCTUS
Offshore Securities Trading

Managed Investments

- Execute, clear, and settle foreign securities transactions.
- Facilitate trades on any market for stocks such as: Apple, Tesla, Google, Meta (Facebook) & more, as per your instructions.

Access to international collective investment schemes or mutual fund

- Access to invest in mutual funds and managed funds managed by global fund managers: BlackRock,Vanguard, Fidelity, Investec & more.
- Assistance with processing subscriptions and redemptions from these funds.

Access to global custody services

- We can act as custodians for foreign securities acquired through us or deposit securities with us as agreed upon.

Corporate actions

- We can act as custodians for foreign securities acquired through us or deposit securities with us as agreed upon.
- Furnish corporate action materials: Notices, Announcements, Agendas & Proxies.
- Receive outstanding dividends and bonuses declared on securities.

Your Benefits

01 Client gets access to a comprehensive range of equities and fixed income securities and trade on world's leading exchanges.

02 You can benefit from professional,individually tailored advice.

03 Enables you to create your own portfolio of internationally listed securities. You can construct a hand-picked portfolio of global shares, bonds, mutual funds, exchange traded funds (ETFs) and exchange traded notes (ETNs).

04 Monthly or Quarterly reporting on portfolio holdings, investment value and transactions

05 Competitive management and brokerage fees.

06 Adequate research on recommended securities based on growth rate, valuation, competitive advantage

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EXT: 2013, 2039