



**LONDON
STOCK
EXCHANGE**

An LSEG Business

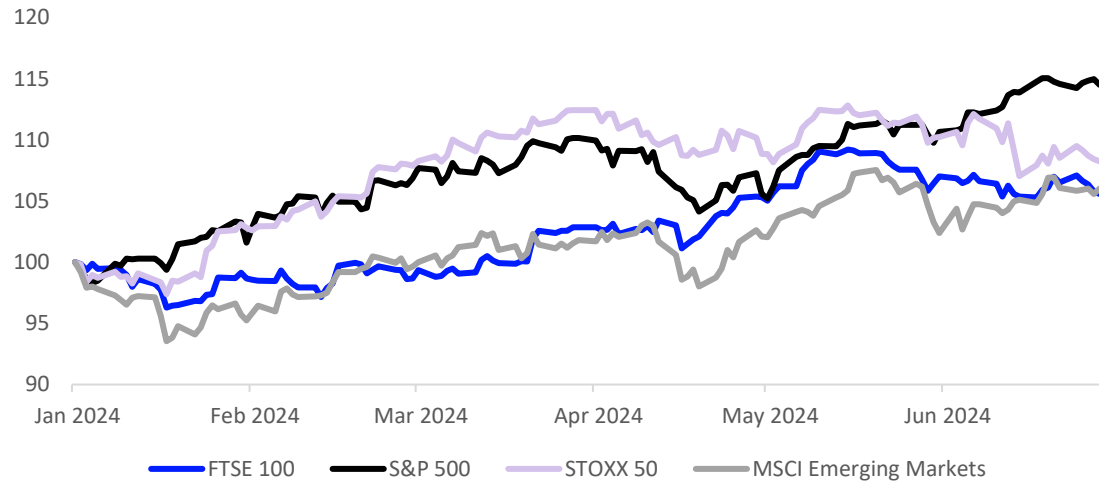
MACROECONOMIC AND EQUITY CAPITAL MARKETS UPDATE

June 2024



All Major Indexes up YTD

Index Returns*



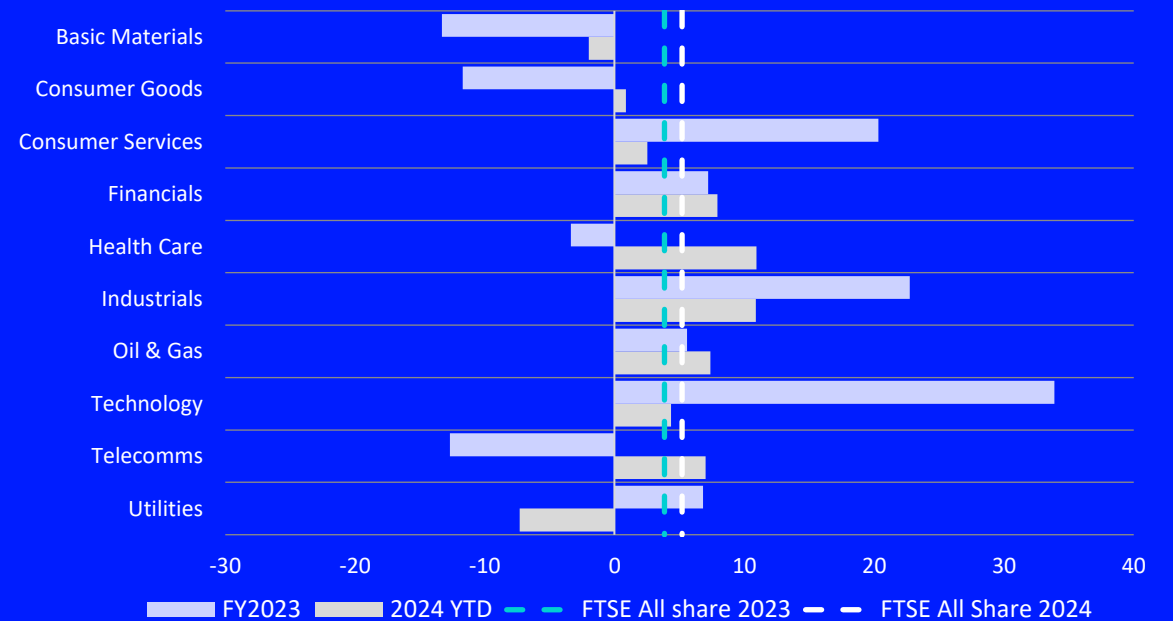
	Index Returns (%)					Index Characteristics		
	Level	QTD	YTD	1 year	5 year	P/E	P/B	Div Yld.
FTSE 100	8,228.5	3.5	6.4	8.8	11.6	14.8	1.8	3.7
STOXX 50	5,016.5	-1.3	10.9	16.9	48.1	15.4	2.0	3.1
S&P 500	5,360.8	2.0	12.4	24.7	85.7	26.1	4.5	1.6
MSCI EM	1,070.3	2.6	4.6	6.8	4.7	-	-	-



Source: LSEG Workspace, 9th July 2024. *Prices rebased to 100 on 01/01/24

- After a moderate start to the year and then hitting three record highs over the course of May, the FTSE 100 began to plateau in June in the run up to the UK election. However, as domestic inflation fell to the Bank of England’s target of 2% in June, investor’s hopes of an interest rate cut in August has increased.
- The S&P 500 started a recovery in May and continued to rise in June, causing an overall increase of 4% in Q2 2024 for the index. The S&P 500’s record highs were driven by a nearly 2% gain in Nvidia stock in June.
- In terms of sector performance in the FTSE All Share, 8 out of 10 sectors are seeing positive returns in 2024 with Health Care and Industrials showing the strongest return, with both up by approximately 11% so far in the year.

FTSE All-Share Sector Returns



The World's Most Valuable Company (for 3 Days)

+197%

1-year change in share price

+262%

1-year change in Q1 revenues

1/3

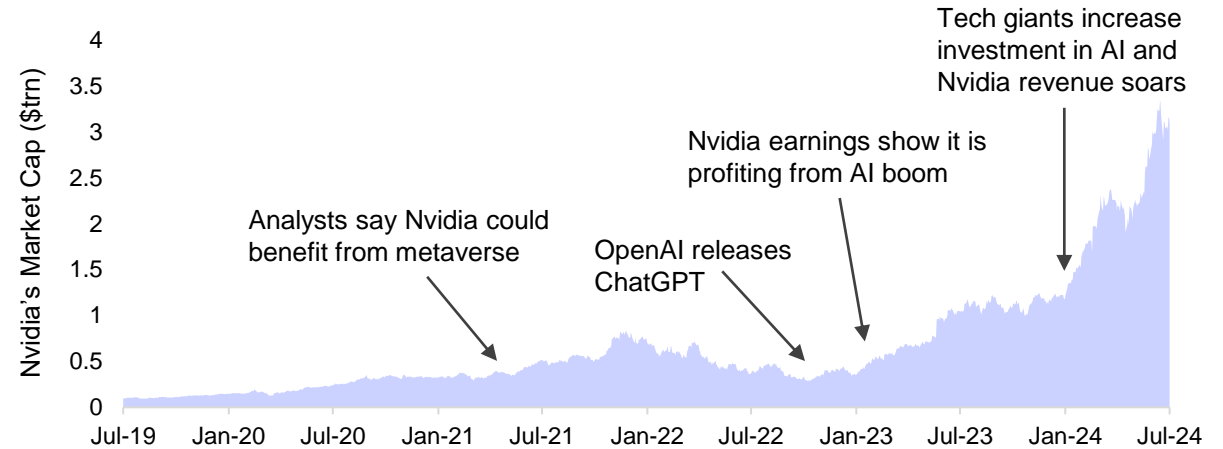
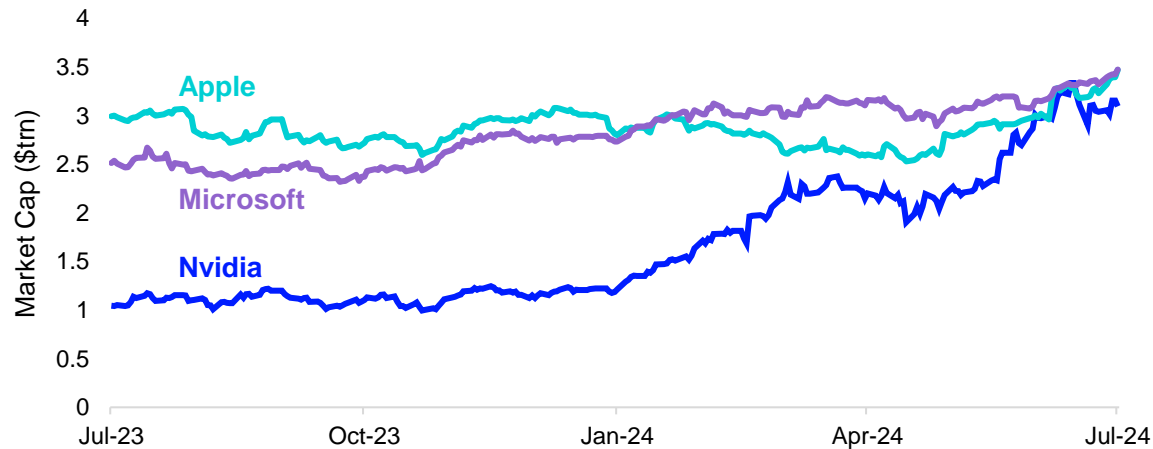
1/3 of the S&P 500's market cap gains are attributed to Nvidia alone, 2024

Nvidia's Performance and Volatility

Nvidia has showcased remarkable growth and resilience amid volatile market conditions. As of the end of June 2024, Nvidia's stock was priced around \$124, with a market cap hovering near \$3 trillion. Its success is attributed to the delivery of strong financial results, in contrast to other tech-based large cap peers, which have experienced significant declines. Despite consistent growth, Nvidia's stock has experienced notable volatility, including a 13% drop at the end of June meaning the company lost more than \$500bn in value. This was due to a phenomenon known as profit-taking, where investors sell off some of their investment to lock in the returns.

The AI Frenzy: Driving Market Dynamics

The ongoing AI boom has dramatically influenced market dynamics, positioning Nvidia at the center of this technological revolution. However, while companies like Nvidia have seen massive share price increases, sparking debates about speculative hype in the US stock market, many other AI-associated stocks have fallen as investors scrutinize the credibility of their AI claims. Despite the overall rise in the S&P 500 this year, more than half of the stocks in Citi's "AI Winners Basket" have declined, highlighting a shift in investor sentiment. While there is belief in AI's long-term impact, the market may be prematurely pricing in benefits that will accrue gradually.



London Stock Exchange 2024 YTD

8

Number of IPOs on LSE in 2024 YTD

184

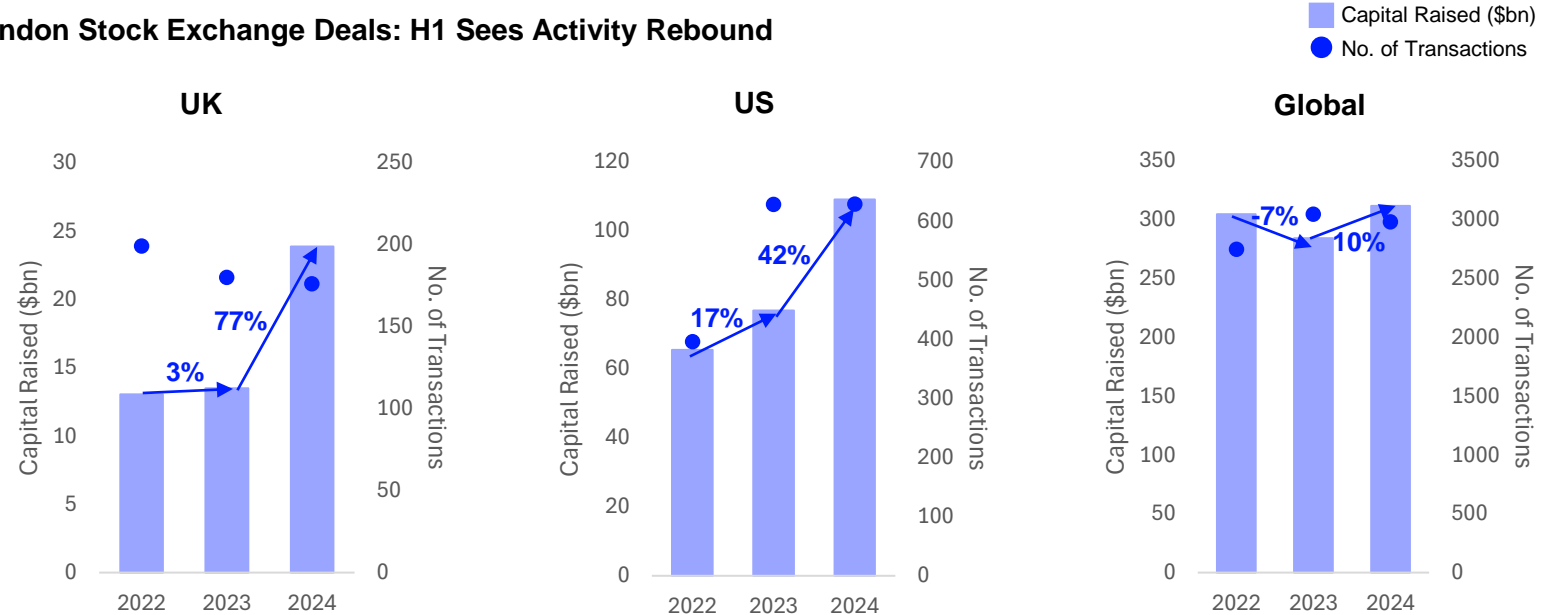
Number of FOs on LSE in 2024 YTD

£18.9bn

Total capital raised on LSE in 2024 YTD



London Stock Exchange Deals: H1 Sees Activity Rebound



Top 10 Offerings on the London Stock Exchange 2024 YTD

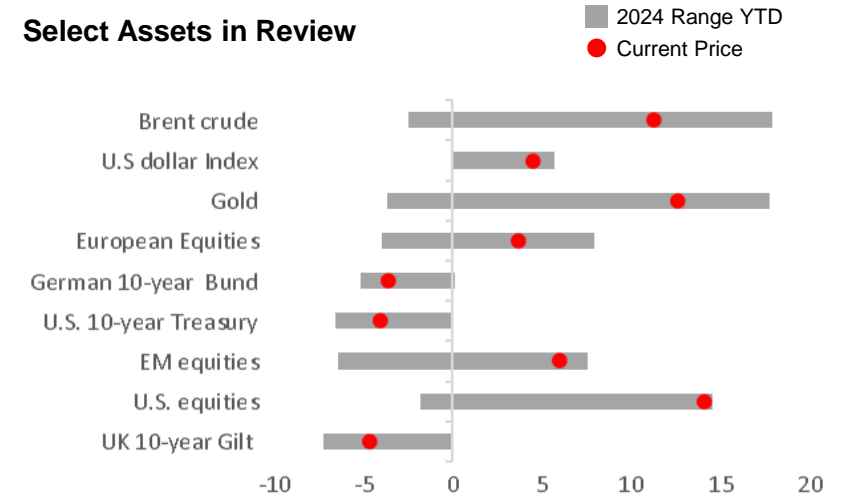
Issuer Name	Offer Type	Issue Date	Deal Value (£m)	Discount (%)
National Grid	Follow-On	13 June	7,187	-54.1%
Haleon	Follow-On	19 March	2,435	-2.2%
London Stock Exchange Group	Follow-On	15 May	1,583	1.1%
London Stock Exchange Group	Follow-On	06 March	1,428	-0.7%
Haleon	Follow-On	17 May	1,248	-2.5%
Haleon	Follow-On	17 January	978	-2.3%
SEGRO	Follow-On	28 February	900	-3.4%
Great Portland Estates	Follow-On	13 June	361	-45.6%
London Stock Exchange Group	Follow-On	12 March	307	0.0%
Air Astana	IPO	09 February	282	-

European Volatility Rises After French Election Announcement

Recent Economic Events

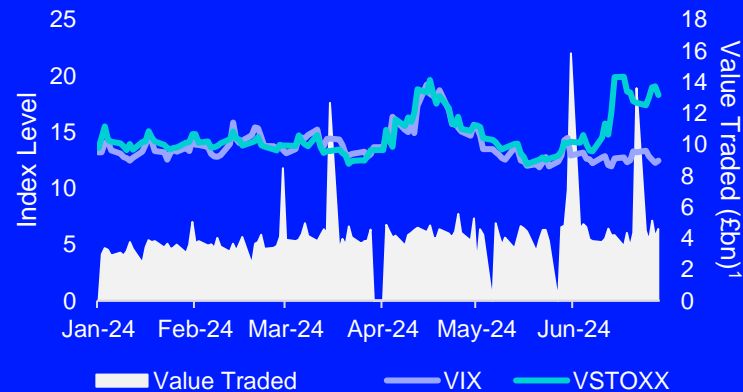
Date	Country	Event
07 June	China	Trade Balance
12 June	UK	GDP Estimate
12 June	USA	Consumer Price Inflation
20 June	USA	Employment Data
20 June	EU	Consumer Confidence
21 June	UK	Consumer Confidence
07 July	EU	French Election

Select Assets in Review



- U.S. equities are now the best performing asset year to date, overtaking Gold. The Sterling is the only one of the ten major currencies to appreciate against the Dollar in 2024.
- In June, European Volatility moved out of line with the VIX as the French President, Macron, unexpectedly called for a Parliamentary Election, causing the Euro to fall for two consecutive days against the Dollar, and the barometer of risk premium on French government bonds reached its highest point in over 7 years.

European Volatility Rises in June









Inflation Moderating with Positive Growth Outlook

	Real GDP (%)			CPI Inflation (%)			Policy Rates		
	23	24E	25E	23	24E	25E	23	24E	25E
UK	0.1	0.7	1.2	7.4	2.6	2.2	5.3	4.7	-
Eurozone	0.5	0.7	1.4	5.5	2.4	2.1	4.5	3.4	2.6
US	2.5	2.3	1.8	4.1	3.1	2.4	5.5	5.0	-
China	5.2	4.9	4.5	0.2	0.6	1.5	3.5	-	-
Japan	1.8	0.3	1.1	3.3	2.4	1.9	0.0	0.3	0.5

2024 Election: Historic Labour Victory

- Labour's victory in the UK general election has reshaped the country's political landscape. Sir Keir Starmer's party achieved a substantial gain of over 200 seats, securing a commanding majority of 172 seats.
- The Conservative Party secured 121 seats with 24% of the vote, leaving them in the position of official opposition.
- The Liberal Democrats made significant gains, securing 72 seats.

PARTY SEATS WON		325 majority	Net Seats	Vote %
LAB	411 		+211	33.7
CON	121 		-251	23.7
LD	72 		+64	12.2
SNP	9 		-39	2.5
REF	5 		+5	14.4
OTH	32 		+10	13.5

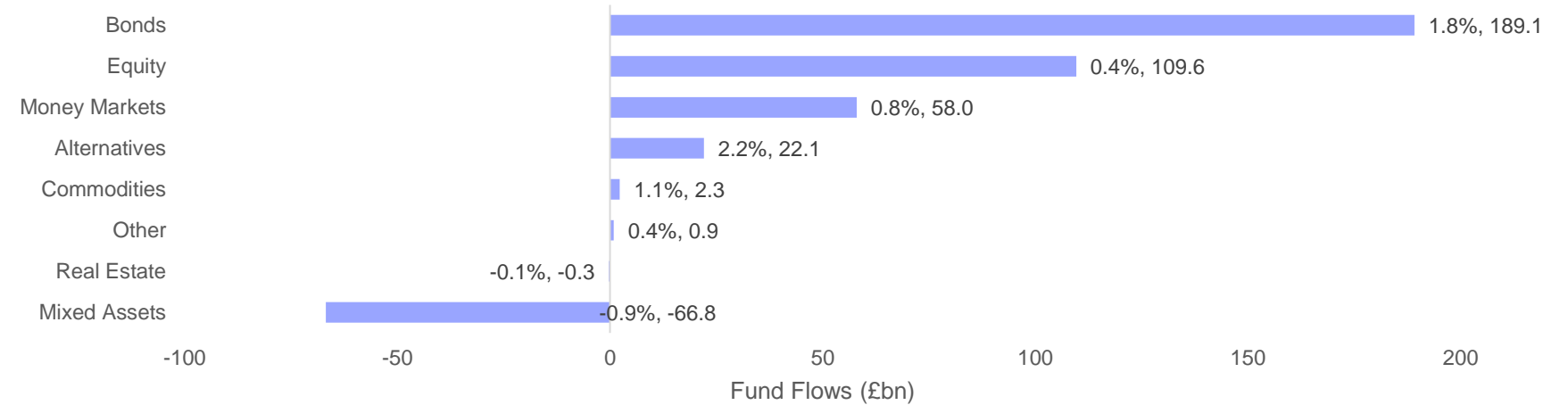
Labour's Top Economic Priorities

- Ensure economic stability with clear, transparent tax and spending rules, and no increases to existing income tax rates, National Insurance, or VAT.
- Cap corporation tax at its current level of 25%, replace the business rates system, and publish a detailed roadmap for future business taxes.
- Boost economic growth by reforming the planning system to facilitate more housebuilding and infrastructure projects.
- Establish Great British Energy and a National Wealth Fund to invest in clean energy industries, creating 650,000 jobs.
- Develop an industrial strategy that leverages the UK's strengths.
- Reform employment support by integrating Job Centre Plus and the National Careers Service to better assist people in finding work.

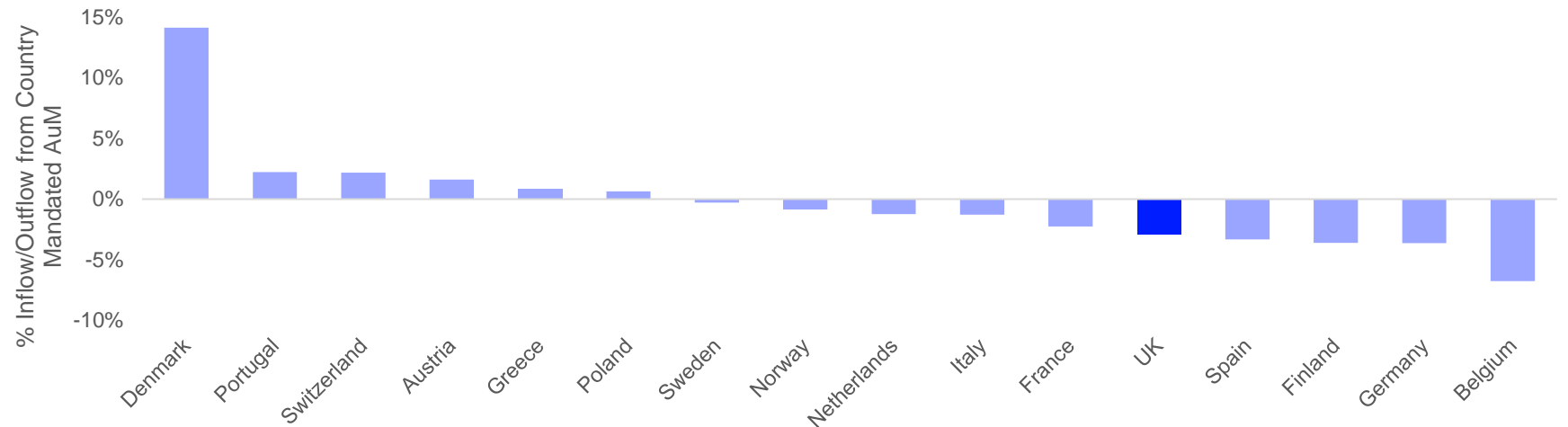
Investors Move Into Alternatives

- Globally, Bond funds have seen the largest inflows in the first five months of 2024, representing 1.8% of total AuM.
- However, Alternatives have seen the largest relative movement, with 2.2% of AuM flowing into the asset class, this is due to investors moving into riskier asset classes as markets become less volatile.
- Belgium has seen the largest relative outflow from its mandated equity funds in 2024 YTD.

Net Flows From Global Funds 2024 YTD*



Equity Flows from European Mandated Funds as a % of Country Dedicated AUM



Regional Trends and Headlines

Europe



The Bank of England has warned that a higher interest rate environment has caused defaults on leveraged loans to increase by 250%. 73% of these loans are extended to companies who are backed by private equity.



Bulgaria and Romania have failed the economic tests required to join the Euro as determined by the European Central Bank and European Commission. Concerns were raised around their high inflation compared to the rest of the Bloc as well as surrounding the countries' institutions' ability to control corruption and money laundering.



The European Commission has charged Microsoft with anti-competitive behavior around the bundling of its Teams product. This is the first anti-trust case against the company in over 10 years.

North America



US Companies have been able to reprice around \$400bn of debt due to an increase investor appetite for junk loans allowing them to reissue the debt at lower interest rates. It is the highest amount of debt repriced at this point in the year since data began.



A new law in Delaware may mean that companies incorporated in the state will be able to bypass their boards in order to agree deals with significant shareholders. The majority of S&P 500 companies are incorporated in Delaware.



ETFs are expected to take half of the money held by long term US mutual funds by 2034. Mutual Funds (excluding Money Market funds) have seen outflows in 9 out of the last 10 years with investors switching due to increased liquidity, reduced costs, and greater tax benefits.

Central and South America



Brazil's financial markets have seen outflows due to investor concerns surrounding President Lula's economic plans. The Brazilian Real is the third-worst performing emerging markets currency in 2024, and the Brazilian equity index has fallen 8.6% so far this year.



Argentina has lost its appeal in a London court leaving it owing four hedge funds \$1.5bn over their purchase of GDP-linked securities. The case is linked to the country's decision to adjust the way it calculated GDP which caused disagreement over whether interest must be paid on securities linked to Argentina's GDP growth.



A Bolivian General has been arrested over a coup attempt. Tensions have been rising in the country ahead of next year's presidential election and a struggling economy.

Regional Trends and Headlines

Middle East



Saudi Arabia has sold \$11.2 billion of stock in Saudi Aramco, the share sale was priced at the bottom of the target range. 60% of the allocation went to investors outside of Saudi Arabia, including 120 new investors.



The UAE sovereign wealth fund, Mubadala, is fighting to salvage its investment in European insurance start up, WeFox. Valued at \$4.5 billion in 2022, one option involves a deal with a competitor which would value WeFox at under \$600 million.



Lebanon's inflation has fallen to 59.7% YoY. This is the lowest level in the country since May 2020, and is far from the record peak seen in 2023 of 269%. Inflation has still continued to increase in some sectors, but food and beverage inflation fell sharply.

Africa



Cocoa prices have fallen for successive days, their longest run of losses since 2022. Improved weather in Ghana and the Ivory Coast has revived hopes that crops may recover in the coming season, easing the global shortage of Cocoa.



Ghana has agreed a deal with bondholders to restructure some of the country's debt, this move has wiped around \$4bn of value off \$13bn of international bonds. The country has been in default on its debt for over two years.



The Kenyan parliament was stormed by demonstrators amidst mass protests against upcoming tax increases. The government is seeking to reduce the budget deficit (currently 5.7% of GDP) via a \$2bn tax rise.

Asia-Pacific



India is set to receive billions of dollars from foreign investors after its sovereign debt was added to a JPMorgan emerging market index. Foreign ownership of the debt is expected to increase from 2% to 5% following the first time India's debt is included in a major benchmark. India will represent approximately a 10% share of the index.

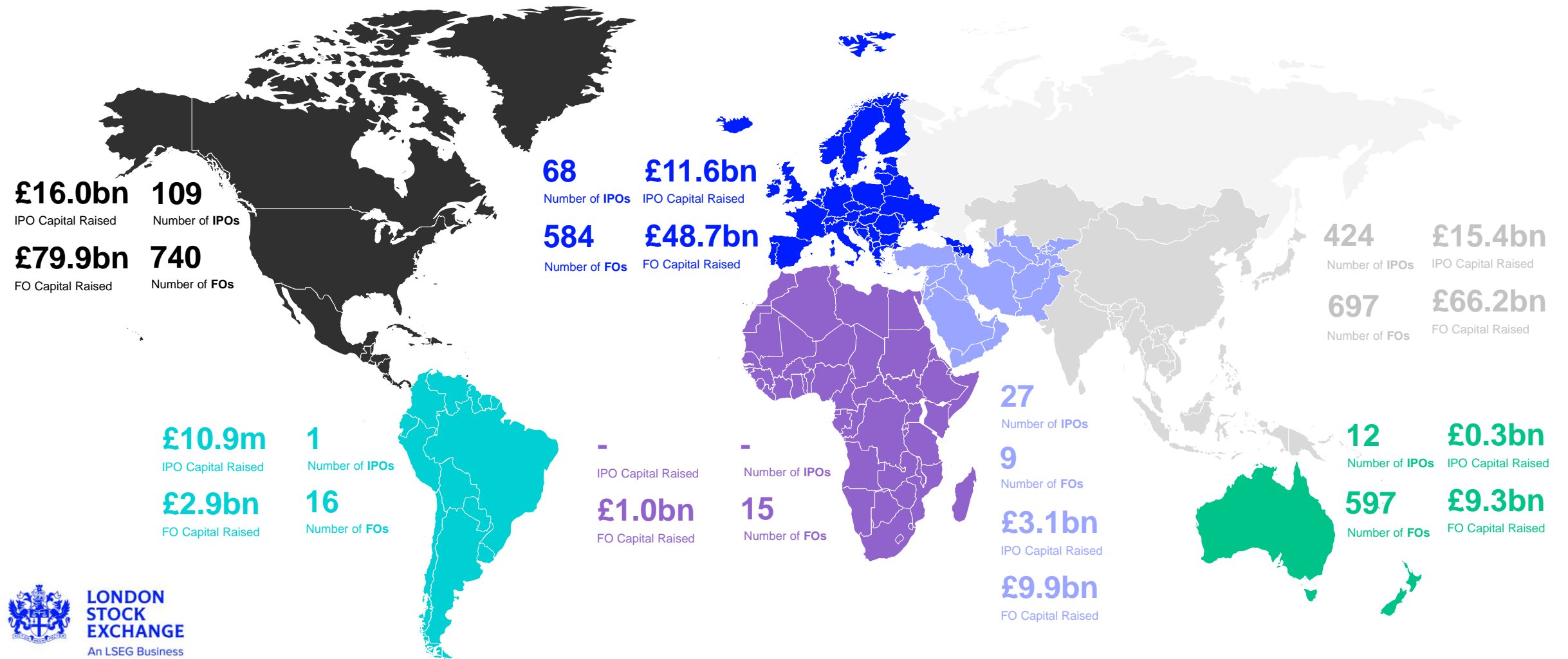


The Japanese Yen has fallen to its lowest level against the dollar since 1986 having fallen 12% against the dollar so far this year. It has surpassed the level it fell to in April when Japan's finance ministry spend a record amount to boost the currency.

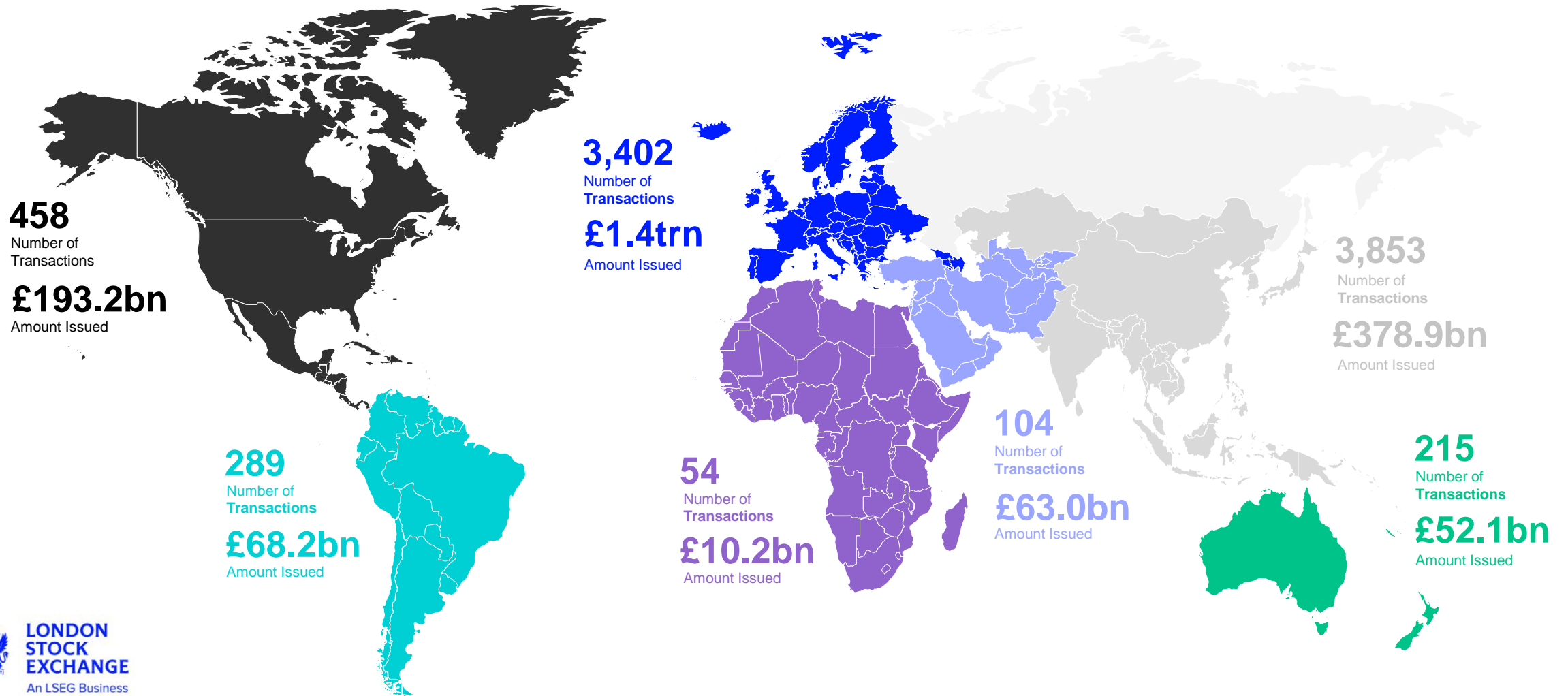


Sri Lanka has restructured \$5.8bn worth of debt it owes to lenders such as France, India, and Japan. It has also stated it is working with China's Export-Import Bank to restructure its debt deal with the bank.

Global Equity Capital Markets, 2024 YTD



Global Debt Capital Markets, 2024 YTD





Charlotte Green

Senior Associate, Research & Analytics
London Stock Exchange
LSEResearch_Analytics@lseg.com



Shreya Kochhar

Associate, Research & Analytics
London Stock Exchange
LSEResearch_Analytics@lseg.com



Riya Srivastava

Business Graduate Associate, Research & Analytics
London Stock Exchange
LSEResearch_Analytics@lseg.com



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London Stock Exchange plc

10 Paternoster Square

London EC4M 7LS

Telephone +44 (0)20 7797 1000

www.lseg.com