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August proved to be another eventful month for geopolitics, with more than 90 countries facing the start of US-imposed tariffs. Academic think tank Yale Budget Lab calculate that the levies take the average effective tariff rate to 18.6% – the highest since 1934. Economic data was mixed – whilst the release of the US non-farm payrolls report indicated that the jobs market slowed in July, it did not appear to define the mood for long. A strong corporate earnings season and expectations of a further interest rate cut in the US supported markets, whilst the highest composite manufacturing and services output figure in seven-months also aided sentiment. Elsewhere in developed markets, the latter data point for Europe and Japan also reached twelve and five-month highs, respectively. Aggregate (sterling) returns for developed market equities (+0.3%) finished the month marginally ahead of global bonds (+0.1%), with standout gains from Japan boosting an otherwise relatively flat month. Both lagged emerging market equities (+0.6%) however, which are now comfortably ahead year-to-date.

Corporate earnings season in the US saw most companies comfortably beating, albeit muted, expectations. One of the major talking points was the latest set of results for AI giant, Nvidia, who reported another strong period of revenue growth, beating market consensus yet again.

However, the report did come with a below-consensus data centre revenue forecast. This, coupled with a report from the Massachusetts Institute of Technology suggesting that AI may not be increasing corporate revenue growth as much as people may think, contributed to aggregate negative performance from the US technology sector. To this end, US value stocks outperformed their growth counterparts by 1.4%. Contrary to the trend year-to-date, US small-cap stocks were among the winners in August, returning 2.6% versus the -0.2% returned by the broader US market. US dollar weakness continued during the month, making a meaningful difference to returns depending on which currency investors' assets were held in. To put this into context, the above returns in US dollar terms were 4.8% and 1.9%.

Following July's trade deal with the US, Japanese equities (+4.1%) were the best performing developed market in August. Performance was also buoyed by improving economic data, such as better-than-expected GDP growth for Q2. In Europe, investors welcomed news early in the month that showed manufacturing output at its highest level since summer 2022. Whilst social unrest and the announcement of a no confidence vote in France contributed to a relative slowdown in European equity momentum towards the end of the month, the region has still returned 14.6% year-to-date,

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well ahead of any other developed market. Elsewhere, the UK was a laggard, with an aggregate return of -0.3% despite gains from large-cap stocks. Investor concern revolved around a seemingly weakening jobs market and headline inflation rising to its highest level in 18-months, curtailing expectations for further interest rate cuts. Emerging and Asian equities enjoyed strong returns of 0.6% and 0.7%, both largely driven by China. The former was also helped by strong returns from Latin America, which offset losses in Taiwan, Korea, and notably India, where investors grappled with a newly-imposed 50% tariff from the US aimed at tackling oil imports from Russia.

Fixed income market returns were mixed, with marginal aggregate gains for both government and corporate bonds, but nuanced returns within each component. Among the best performing areas were sterling and euro high yield, and emerging market debt, whilst both US corporates and Treasuries joined gilts among the worst performers. August's headlines were dominated by the Trump administration's continued fight against central bank independence, as well as a potential policy from the US Federal Reserve following a weak jobs report – essentially increasing the likelihood of a further US interest rate cut in September. Closer to home, political instability weighed on bond markets, with the UK 30-year gilt yield reaching its highest level in 27

years on concerns over fiscal spending and economic growth. Finally, to alternatives, where the divergence between commodity returns was high. Among the best performers were precious metals such as gold (+3.2%), silver (+7.6%), and platinum (+3.8%), which continued their stellar year-to-date form. In contrast, oil (-6.7%) and natural gas (-8.3%) acted as significant detractors, with both geopolitical and weak demand/high supply dynamics at play.

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**Whitechurch Investment Team**  
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