

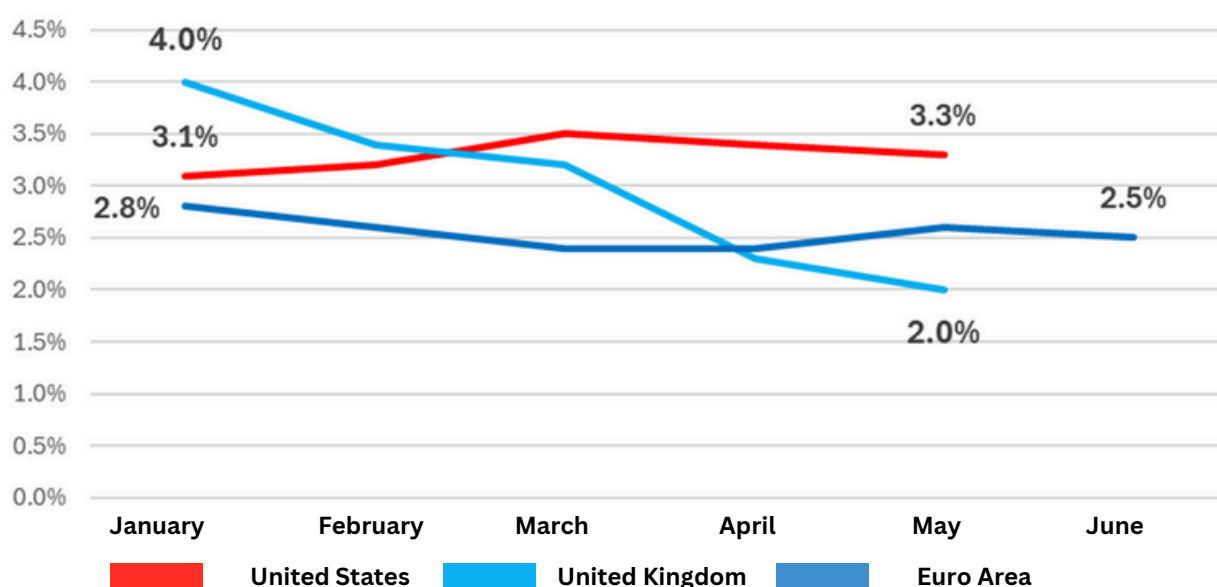
## Let's Take Stock – The Macro Picture

As Q2 concludes and Q3 commences, we have reviewed the performance of equity markets in the United States, Europe, and the UK Year to Date, with a particular focus on the top five performers in each country/bloc. After examining the equity landscape, our attention shifts to the fundamental macroeconomic elements within these three economies. We will consider inflation, unemployment, composite PMIs, and the balance of trade to provide a clear Year to Date snapshot of the economic performance in the US, UK, and Euro Area.

### **Inflation**

At the onset of 2024, it was anticipated that the US inflation rate would gradually fall below the critical 3% threshold, prompting several interest rate reductions by the Federal Reserve. Contrary to expectations, the US inflation rate has remained above 3% throughout 2024, with prices increasing despite historically high interest rates. A significant factor in sustaining high inflation has been motor insurance, with costs surging by over 20% in the past year. In contrast, the Euro Area has experienced a steady decline in inflation, decreasing from 2.8% at the beginning of the year to 2.5% by June. The ECB has reduced rates once already, and further cuts may follow if the downward trend persists. Notably, the UK has seen its inflation rate drop from 4% in January to 2% in May, a reduction attributed to slower growth in food prices and costs in the hotel, culture, and recreation sectors. Thus far, European economies have performed best in managing inflation in 2024.

### **Inflation Rates – 2024 YTD**

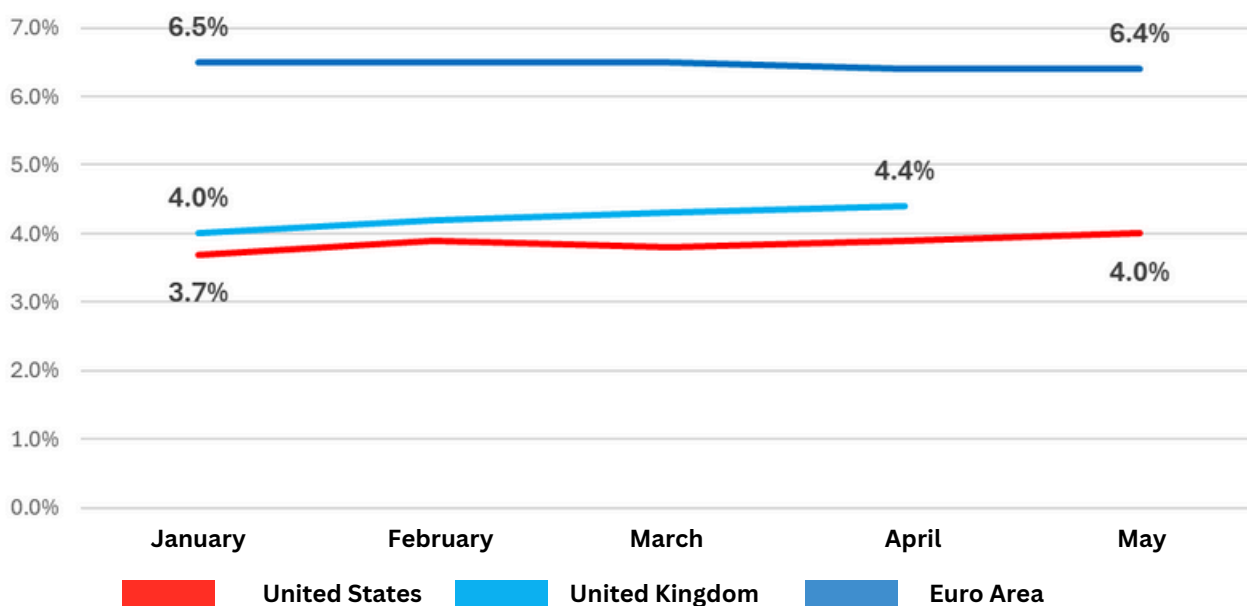


Source – Seaspray Private

## Unemployment rates

With multi decade high interest rates, economies should start to slowdown as companies borrow less and consumers spend less. One of the symptoms of this is a higher level of unemployment. However, so far in 2024 we have seen only a slight increase in unemployment rates in the United States and the UK, while in the Euro Area, the rate of unemployment has hit a new low, with more people now employed in the Euro Area than at any point in the bloc's history. The record low unemployment rates have significantly bolstered the prospects for a soft landing of economies following the cost-of-living crisis.

### Unemployment Rate - January - May 2024

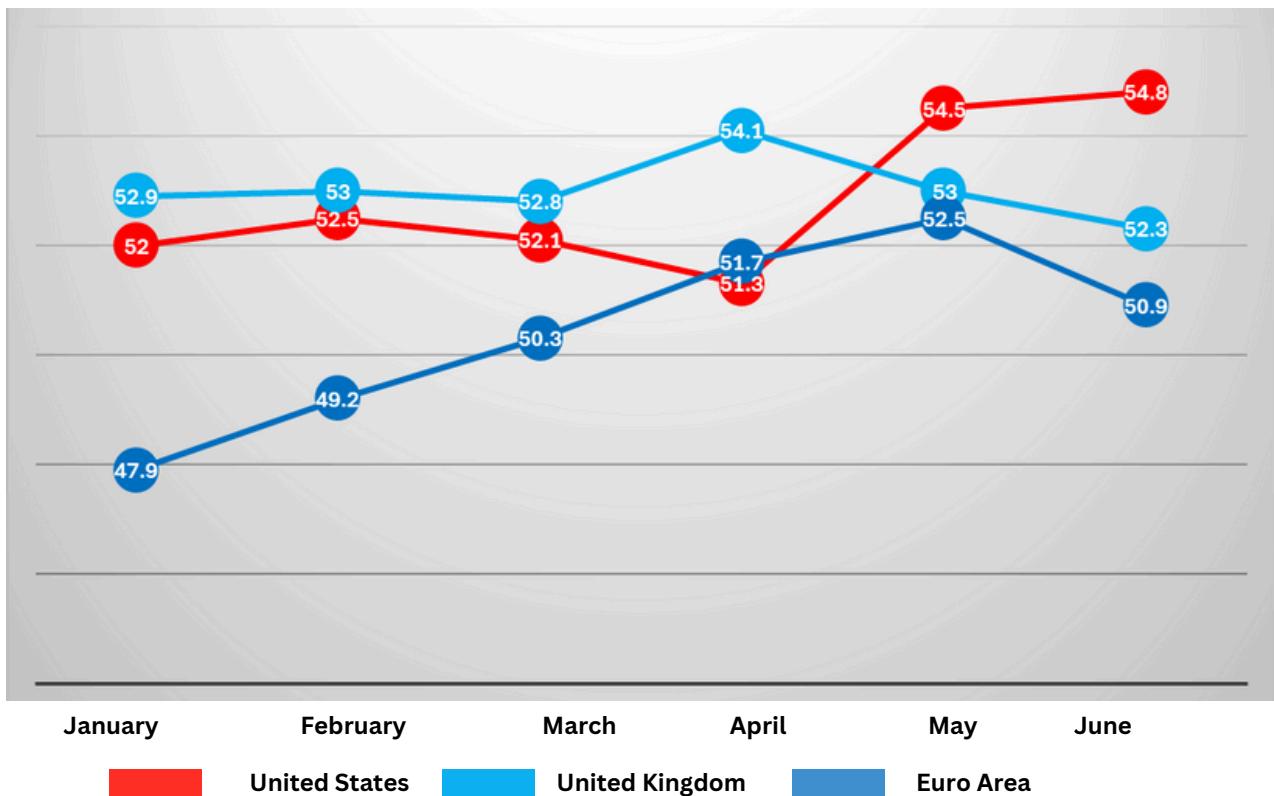


Source – Seaspray Private

## Composite Purchasing Managers Index (PMI's)

Composite PMIs are monthly reports which reflect the change in working conditions within a country's manufacturing and services sector. They are a key barometer for how a country's economy is performing, and each index ranges from 0 to 100. A figure above 50 means an economy is in expansion, while a figure below 50 means an economy is in contraction. In our next chart we can see the composite PMIs for the US, UK and Euro Area so far in 2024. As we can see, each economy is in expansionary territory in June, with the US leading the way. Both the US and UK have stayed in expansionary territory throughout 2024, while the Euro Area has seen its PMIs increase every month from January to May, meaning the economy has come from contraction to expansion according to the index

## Composite PMI's - January-June 2024



Source - Seaspray Private

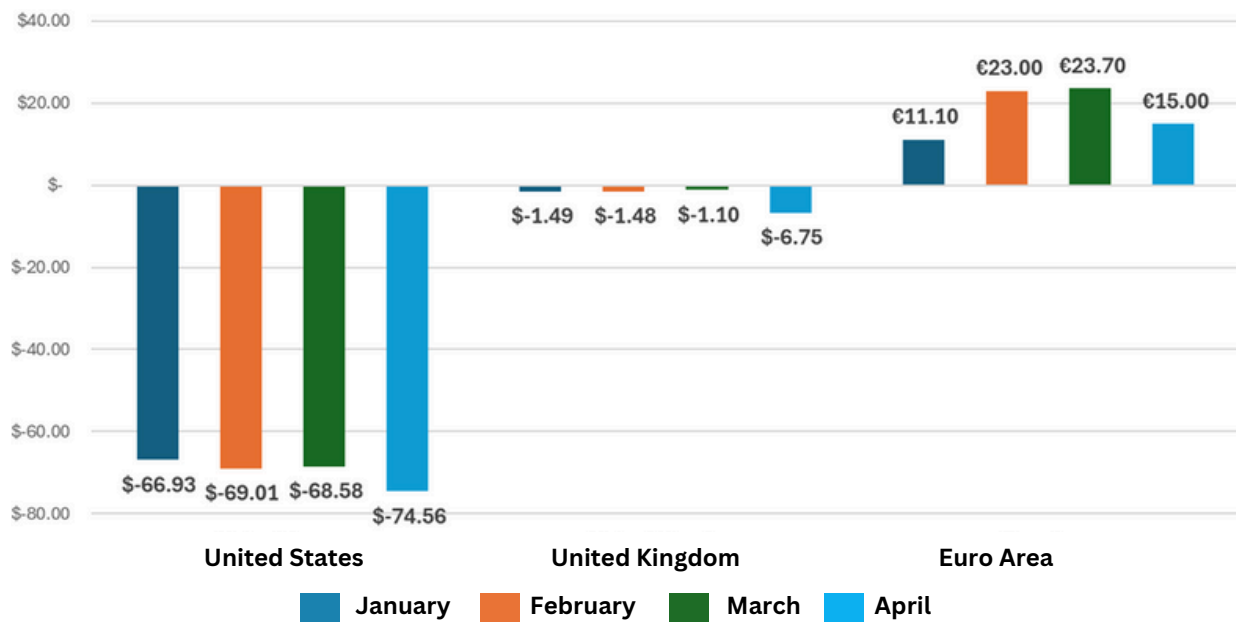
### Balance of Trade

A country's balance of trade means the difference between the monetary value of its exports compared to its imports. In most cases, a positive balance of trade means an economy is exporting more than its importing, and points to an overall healthy economy. However, as we can see from our next chart, that doesn't always translate. The United States is the world's largest economy in GDP terms, and also has the largest companies in the world domiciled there. However, as we can see the US has a balance of trade of  $-\$74.56\text{bn}$  in April 2024, meaning the country imported  $\$74\text{bn}$  more goods than it exported. This is nothing new, as the US has been running trade deficits for decades, due in part to a reliance on the import of oil and consumer products.

Meanwhile in the Euro Area, the bloc has posted positive balance of trade statistics every month since May 2023, aided by the export of manufactured goods, particularly cars and machinery from Germany, as well as pharmaceutical goods from countries such as Ireland. The Euro Area had a trade surplus of  $\text{€}15\text{bn}$  in April 2024.

In the UK, imports surged to their highest point in a year as of April 2024, increasing by 7.2%, whereas exports declined by 0.7%. This led to one of the most significant trade deficits witnessed in the country in the past two years. In summary, the chart indicates that, in terms of trade balance, the Euro Area stands out as the most favorable among the three economies.

### Balance of Trade (Bn) - January - April 2024



Source – Seaspray Private