

## Stock picks for Starmer

## Global Matters Weekly

1 July 2024

– Matt Connor — *Investment Analyst*

As the UK goes to the ballot box on Thursday 4 July for the first time in nearly five years, if the pollsters are correct the result seems almost like a foregone conclusion with a Labour Government set to end a 14-year Conservative (Tory) Party run. Labour has traditionally been seen as less ‘pro-business’ than the Tories, however markets value political stability very highly as investment decisions are viewed with a long-term lens. The prospect of a stable government along with a recovering economy has led to positive returns in the FTSE 100 and FTSE 250 year-to-date<sup>1</sup>, with some sectors expected to benefit from a Labour Government. We believe that some of the following securities that operate within these sectors could perform well under a Labour government.

Housing is at the top of Labour’s agenda, with the party vowing to fix the UK’s housing shortage. Housebuilders will be key to delivering on housing goals and Vistry Group, which we hold in our portfolios, will be particularly important due to their focus on affordable and social housing through their Partnerships business.

With a growing population and increased housing stock, infrastructure spending is also very important to ensure that our schools, hospitals, and transport networks are able to cope with current and future demand. Labour has pledged to invest in building new and upgrading old infrastructure which will benefit our holding in Kier Group, who are in a prime position to win more government contracts after a solid turnaround by its current management team.

Sir Keir Starmer, leader of the Labour Party, wants to build a National Health Service (NHS) “fit for the future” with increased investment towards health and social care. Moving healthcare out of the hospital will benefit Real Estate Investment Trusts (REITs) that develop primary care property. This will benefit our holding in Assura, which

**“Markets value political stability very highly as investment decisions are viewed with a long-term lens.-”**

develops GP practices and healthcare centres across the UK. We also have coverage within our UK equity portfolio by holding GlaxoSmithKline, which will benefit from increased investment within the NHS.

Energy security has been a hot topic for the last couple of years, and Labour has pledged to make Britain a clean energy superpower through the establishment of Great British Energy to invest into renewable and clean power generation. The Greencoat UK Wind investment trust is a key player in renewable energy, generating 1.5% of the UK’s electricity demand in 2023<sup>2</sup> through its wind farms. JLEN Environmental Assets Group is another of our investment trust holdings which is leading the way for renewable energy in the UK. JLEN generated enough renewable energy to power more than 284,000 homes in 2023<sup>3</sup>, through methods including wind, solar, hydro, and generating biogas via its agricultural and food waste anaerobic digestion plants.

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<sup>1</sup>Fidessa group Holdings Ltd, 2024

<sup>2</sup>Greencoat UK Wind plc, 2024 - Final Results 2023, Chairman’s quote page 1 - <https://www.research-tree.com/newsfeed/article/greencoat-uk-wind-final-results-announcement-2280813>

<sup>3</sup>JLEN Environmental Assets Group, 2024 – Annual Report 2024 - [https://jlen.com/wp-content/uploads/2024/06/web\\_JLEN\\_AR24-1.pdf](https://jlen.com/wp-content/uploads/2024/06/web_JLEN_AR24-1.pdf) page 11

## The Marketplace

- Global equities rose 0.5%
- The major US 500 index hit all-time highs
- Brent crude rose 3.2% to \$85.24 per barrel
- Gold fell 0.5% to \$2321.98 per ounce

## Market Focus

### US

- US equities rose 0.6% with value stocks outperforming growth, and most of the major benchmarks outperforming technology stocks
- The Commerce Department reported that retail sales had increased only 0.1% in May, according to advance estimates, while falling a downwardly revised 0.2% in April
- The Federal Reserve announced that industrial production had expanded 0.9% in May, well above consensus expectations and the fastest pace in nearly a year

### Europe

- European equities rose 0.7%
- The Eurozone composite PMI (Purchasing Managers Index) including manufacturing and services fell to 50.8 from 52.2 in May
- With the upcoming first round French elections this Sunday, the far-right National Rally party are continuing to see their support increase with the latest poll of polls showing support at 33%, versus the 27% for the far-left New Popular Front (NPF) and 20% for Macron's movement

### UK

- UK equities rose 1.3%
- The Bank of England left its key interest rate unchanged at a 16-year high of 5.25%. Seven members of the Monetary Policy Committee voted to maintain the current rate, two backed a cut to 5%
- Headline inflation rate dropped to the central bank's target of 2% in May, down from 2.3% in April, whilst core inflation fell to 3.5% from 3.9%

### Asia/Rest of The World

- Global emerging market equities rose 1.0%
- Japanese equities fell 0.8%
- Chinese equities fell 0.5%
- Japan's core consumer price index rose 2.5% year on year in May, following a 2.2% uptick in April. Also, the flash composite PMI fell to 50.0, from 52.6 in May
- Chinese Industrial production increased by 5.6% in May from a year earlier, slowing from April's 6.7%, this was lower than expected

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Asset Class/Region	Currency	Currency returns			
		Week ending 28 June 2024	Month to date	YTD 2024	12 months
<b>Developed Market Equities</b>					
United States	USD	-0.1%	3.6%	15.0%	26.1%
United Kingdom	GBP	-0.9%	-1.0%	7.8%	13.6%
Continental Europe	EUR	-0.6%	-1.1%	8.7%	15.0%
Japan	JPY	3.2%	1.5%	20.1%	25.2%
Asia Pacific (ex Japan)	USD	0.0%	3.9%	8.5%	12.9%
Australia	AUD	-0.2%	1.0%	4.2%	12.4%
Global	USD	0.1%	2.0%	11.7%	21.9%
<b>Emerging markets equities</b>					
Emerging Europe	USD	1.3%	0.1%	15.3%	34.1%
Emerging Asia	USD	-0.1%	5.0%	11.0%	14.7%
Emerging Latin America	USD	0.1%	-6.1%	-15.7%	-4.5%
BRICs	USD	-0.2%	1.2%	6.3%	8.5%
China	USD	-2.0%	-1.9%	4.7%	-2.8%
MENA countries	USD	1.7%	2.8%	-3.4%	-0.3%
South Africa	USD	-1.9%	9.2%	4.6%	12.9%
India	USD	2.4%	6.9%	11.1%	26.1%
Global emerging markets	USD	0.1%	3.9%	7.5%	12.4%
<b>Bonds</b>					
US Treasuries	USD	-0.6%	1.0%	-0.8%	0.8%
US Treasuries (inflation protected)	USD	-0.3%	0.8%	0.7%	2.2%
US Corporate (investment grade)	USD	-0.6%	0.6%	0.0%	4.8%
US High Yield	USD	0.0%	0.9%	2.6%	10.7%
UK Gilts	GBP	-0.7%	1.3%	-2.6%	4.3%
UK Corporate (investment grade)	GBP	-0.2%	0.8%	-0.1%	10.5%
Euro Government Bonds	EUR	-0.6%	0.2%	-1.9%	1.9%
Euro Corporate (investment grade)	EUR	-0.1%	0.7%	0.5%	6.2%
Euro High Yield	EUR	0.0%	0.5%	3.1%	10.7%
Global Government Bonds	USD	-0.5%	0.0%	-4.3%	-1.4%
Global Bonds	USD	-0.5%	0.1%	-2.8%	0.8%
Global Convertible Bonds	USD	0.4%	0.4%	-1.2%	3.0%
Emerging Market Bonds	USD	-0.4%	0.7%	1.4%	7.8%

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<b>Property</b>					
US Property Securities	USD	1.3%	2.7%	-0.8%	8.1%
Australian Property Securities	AUD	-3.5%	-0.9%	8.1%	18.3%
Asia Property Securities	USD	0.4%	-4.0%	-11.5%	-9.8%
Global Property Securities	USD	0.7%	0.4%	-2.4%	7.7%
<b>Currencies</b>					
Euro	USD	0.2%	-1.2%	-3.1%	-1.8%
UK Pound Sterling	USD	0.0%	-0.7%	-0.9%	0.0%
Japanese Yen	USD	-0.9%	-2.3%	-12.4%	-10.4%
Australian Dollar	USD	0.5%	0.5%	-2.4%	0.8%
South African Rand	USD	-1.5%	3.3%	0.2%	2.3%
Swiss Franc	USD	-0.5%	0.5%	-6.6%	-0.2%
Chinese Yuan	USD	-0.1%	-0.4%	-2.3%	-0.3%
<b>Commodities &amp; Alternatives</b>					
Commodities	USD	-0.5%	-1.0%	7.6%	11.5%
Agricultural Commodities	USD	-1.1%	-6.4%	0.2%	0.4%
Oil	USD	1.4%	5.9%	12.2%	16.7%
Gold	USD	0.2%	0.0%	12.8%	21.7%

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