



Heriot-Watt Investment Society

Markets Briefing: August 2021



August saw continued gains in equity markets from strong Q2 corporate earnings and stable handlings of the pandemic recovery helping to achieve higher vaccination rates and slight further certainty.

Equities

US equities continued to rise and reached record highs during the month of August with much of this deriving from a strong and healthy growth in revenues and profits from the Q2 earnings releases. The markets are also considering the impact of Federal Reserve Chair Jerome Powell comments that bond tapering could begin later this year. Taking some of the results apart, technology and communication services such as Alphabet, Facebook and Netflix were some of the top performers after announcing high quality Q2 earnings and the announcement from China to place a cap on the time children can spend gaming which helped to drive investors towards US equities. With cyclicals such as the energy, travel and industrials sector falling behind the index amid fears and uncertainty surrounding the Delta Variant.

4,535.43

+714.08 (18.69%) ↑ past 6 months

3 Sept, 17:11 GMT-4 · Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	4,532.42	High	4,541.45	52-wk high	4,545.85
Prev close	4,536.95	Low	4,521.30	52-wk low	3,209.45

Left: S&P 500

INDEXSP: .INX

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35,369.09

+3,566.65 (11.22%) ↑ past 6 months

3 Sept, 17:11 GMT-4 · Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	35,401.73	High	35,422.71	52-wk high	35,631.19
Prev close	35,443.82	Low	35,269.40	52-wk low	26,143.77

Right: Dow Jones Industrial Average

European equities, excluding the UK, continued their positive performance riding from a good Q2 earnings and Governments managing the recovery to the pandemic well. Although the Delta Variant is continuing to spread, most of the prevalent countries in Europe have now achieved vaccination rates topping 65-73%. To note a well performing industry, information technology performed particularly well from rise in demand for semiconductor and semiconductor equipment.

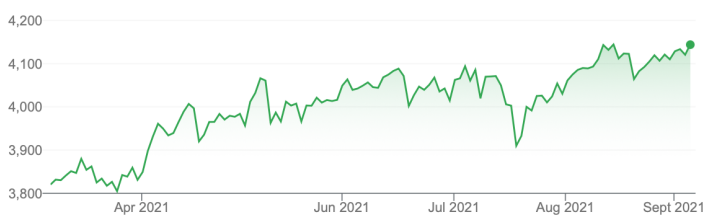
UK equities continued to increase in value in August. Markets saw good performance from small and medium cap equities which performed very well due to building merger and acquisition activities. Comparatively, the extended UK market fell behind the other main global markets as asset allocators have had no preference change towards UK equities being any more attractive than before.

4,144.51

+324.32 (8.49%) ↑ past 6 months

6 Sept, 16:50 BST · Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	4,120.51	High	4,148.74	52-wk high	4,148.74
Prev close	4,120.51	Low	4,120.51	52-wk low	3,126.31

Above: FTSE All Share

INDEXFTSE: ASX

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Japanese equities also saw a rise even with further fears over COVID-19. Since the start of the pandemic, Japan has been a leader in achieving some of the lowest infection rates compared to other 1st world countries but in recent months has seen a sharp rise in cases. Though mortality rates remain relatively low, there are significant fears over hospitalisations from the virus and infrastructure being unable to cope with extra demand for hospital beds.

Continuing the trend as above, emerging market equities had positive returns in August. This occurred even though there was a notable selloff midmonth due to Delta Variant fears in Asia the strengthening of the US Dollar amid fears over tapering from the Federal Reserve. In the MSCI EM Index, Argentina had the best performing market largely due to the rise of, IT and Software Services Company, Globant having a good revenue growth compared to last year.

Monetary Policy and Economic Indicators

In relation to VIX, which is a useful measure for estimating the markets anticipated volatility, we seen decreases at the beginning of the month followed by a sudden rise mid-month partly from uncertainty surrounding the Delta Variant and rising case numbers. However, August ended slightly below where it started due to continuing vaccination programmes.



Source: NASDAQ

Bonds

With some of the main news this month involving the Federal Reserve's intentions to begin tapering towards the latter end of this year and to not rush an interest rate rise, throughout this month we saw the Treasury 10 year fluctuate around 1.31% whilst nearly hitting 1.38% on two occasions.

In summary for Europe:

The UK Gilt 10-year yield rose from 0.57% to 0.62%

The German 10-year yield rose from -0.46% to -0.38%

The Italian 10-year yield rose from 0.63% to 0.71%

US investment grade bonds corporate bonds produced marginal negative return similar government bonds. High yield bonds corporate bonds showed stable gains, helped by coupon income, as spreads were high. High yields did particularly well following the news from Jackson Hole which helped to reverse earlier widening in August.

Currencies

The US Dollar Index, a measure of the US dollar's strength against a basket of its major trading partners, finished the month as it started holding an approximate value of 92.2 although peaked in the middle of the month managing to rise to 93.6.

Bitcoin and Ethereum – the two largest cryptocurrencies by market capitalisation – finished the month with further large gains totalling over 20% and 26% respectively. Both cryptocurrencies started the month on a positive trend largely from greater confidence in the currencies after worldwide states tried to clamp down the rise of cryptocurrency trading and mining.

About us

Heriot-Watt University Investment Society aims to provide its members with the opportunity to learn about financial markets, investment research, and fundamental analysis. By creating an environment in which like-minded students feel open to share ideas, views and insights, HWUIS contributes to developing the next generation of finance professionals.