



CLIENT NEWSLETTER - JUNE 2024

KEY 2024 FINANCIAL DATES

JUNE

20th - Bank of England Monetary Policy Committee (MPC) meeting to decide if base interest rate should be changed

JULY

1st - New Energy Price Cap

4th - UK General Election

31st - Second Payment On Account (Paid by self-employed for the 2023-2024 tax year)

AUGUST

1st - Bank of England MPC meeting

14 August - July Inflation Announcement

SEPTEMBER

15 Hours Free Childcare from the age of 9 months old

19th - Bank of England MPC meeting



UK GENERAL ELECTION - how will it impact stock markets in 2024?

The UK will head to the polls on 4 July, and while it's often best to take the voting intention polls with a pinch of salt, YouGov's first major poll of the general election campaign predicts Keir Starmer's Labour are on course to win 422 seats, surpassing Tony Blair's landslide majority in 1997.

The economic backdrop however looks less certain. The good news is that the UK has recovered from a shallow recession in the second half of 2023, and UK stock markets continue to move higher as we progress through 2024. But what might happen next, and how have past elections impacted financial markets?

To help with this, the University of Plymouth analysed the performance of the FTSE 100 in the 3 months before, during, and after the last 9 general elections, and over the page we'll take a closer look at what their research showed.

Please remember though, this is a very short period to look at performance - investing is for the long term and past performance is never a guide as to what the future may hold.

Important - this newsletter is not personal advice, so please speak to your financial adviser if you feel an investment may not be right for you.

The value of investments can go down as well as up, and you could get back less than you put in.



What have markets done in the past?

The University of Plymouth's research found the percentage of positive returns in the FTSE 100 three months before an election was 56%. During an election, the FTSE 100 had positive returns 67% of the time, and the three months after an election saw positive returns 56% of the time.

The FTSE 100 has more of an international focus than the FTSE 250, so is not affected by domestic politics to the same extent.

While the FTSE 100 doesn't have the same level of positive performance as the FTSE 250 six months before an election, both then tended to rise after an election.

So, although the nation and media may seem obsessed by politics in the run-up to a general election, the impact on financial markets are difficult to ascertain at best.

How about the economy?

Industrials, utilities and real estate tend to be the strongest average performers after elections, while the energy sector tends to underperform.

As always though, past performance doesn't mean we'll see this same pattern in the future.

This performance during an election cycle can be explained by 2 main factors. The first is each political party's focus on housing policy, and second, the prospect of windfall taxes on energy companies.

It's worth noting that on housing, Labour have already outlined plans to support more housebuilding and planning reform, and have also said they will close current loopholes on the windfall taxes applied by the Conservatives to the UK's energy companies.

What does this all mean for investors?

Politics are just one of many factors that can affect stock market returns, but history shows that UK stock markets can adjust to different governments, even during the uncertainty leading up to an election.

As we've shown below, the FTSE 100 has thrived since being formed in January 1984, rising from 1,000 to over 8,000 today. While it's also faced a few knocks along the way, plenty of governments and politicians have come and gone during that time!

FTSE 100 since inception (Source: Bloomberg, 26/04/24)



The benefits of your fully diversified portfolio

Although we've focussed on the FTSE 100, our Investment Committee ensure our clients invest across a variety of regions, asset classes and investment approaches - including active, factor-based and passive investment strategies, and all the investment solutions we recommend are designed to provide diverse and sustainable sources of return.

Our next Newsletter will be in September, so until then we wish you a summer of sunny skies and great memories, and please remember that **voters now have to show a valid form of photo ID at polling stations to vote in person at a general election.**