



Market Commentary
April 2024

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SNAPSHOT

- Equity markets rose, with many developed markets hitting new all-time highs.
- Government Bond yields fell on better inflation data.
- Macro data was generally robust, driving commodity prices higher.

All percentages below are monthly returns for March 2024

EQUITIES



BOND MARKETS

BONDS

Gilts & High Yield outperform

	UK GILTS	1.7%
	US TREASURIES	0.6%
	GLOBAL CORPORATE BONDS	1.1%
	GLOBAL HIGH YIELD BONDS	1.5%



*Values represent bond index returns

CURRENCIES

CURRENCIES

Sterling broadly flat vs US dollar



Pound vs Other Currencies



KEY INDICATORS



GOLD – XAU/USD

8.3%



OIL – BRENT CRUDE

4.6%



COMMODITIES

4.9%



INFLATION – UK CPI (YOY)

3.4%



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GLOBAL MARKETS

An improving inflation landscape and resilient macro data contributed to a further rally in equity markets, with the US, Japan, and European markets hitting all-time highs.



US MARKETS

Continue to hit all time highs

The US markets are at all-time highs, led by small and mid-caps this month, with the Russell 2500 up +3.9%. The Nasdaq was positive, and yet it was 'value' stocks outperforming 'growth' ones for the month, with the best performing sector being energy. Over the first quarter, the US market has managed an impressive +10.2% return. Inflation continued to moderate in March, while recent strong economic data has dampened market expectations for rate cuts. The markets seem to anticipate a "higher for longer" interest rate narrative.

3.1%

US 500



UK MARKETS

Catching up to developed market peers

UK equities broadly followed global trends, albeit with the recognition that they have trailed developed markets for a sustained period, most notably the US. A strong rally in commodities meant large index heavyweights, such as BP (+7.6%) and Shell (+6.8%), outperformed, while mining stocks also fared well owing to this tailwind. The market also saw a steady stream of corporate acquisition offers and activity (for example, Wincanton, DS Smith, Spirent) despite confirmation that the UK has been in a technical recession. Sterling appreciated versus major currency pairs, while Gilt yields declined on the back of better inflation data.

4.2%

UK All Share



EUROPEAN MARKETS

Followed other markets in delivering all-time highs

European equities followed other developed markets, hitting new all-time highs. Of all the major developed markets, Europe saw the biggest outperformance of 'value' versus 'growth' stocks. Economic data was not particularly encouraging, particularly in Germany, where 4Q23 GDP was -1.1% on an annualised basis. The French budget deficit also came in significantly larger than expected. But European markets were buoyed by gains elsewhere, and expectations are that the ECB will start to reduce interest rates. Eurozone bond yields fell, with German 10yr yields dropping from 2.41% to 2.30%.

3.6%

Euro 600 Index ex UK



JAPAN MARKETS

First positive rate increase in years could not slow the markets

Japanese equities hit a new all-time high, with the Nikkei breaking through the 40,000 barrier and building on February's gains, in which it had eclipsed the previous peak set in 1989. As was the case with other developed markets, 'value' stocks outperformed 'growth' stocks. The Bank of Japan raised its headline policy rate for the first time since 2016, thus formally exiting a period of negative interest rates for a country which implemented its first positive rate increase in nearly two decades. This move was anticipated by markets and as such did not have a significant impact on currency or bond markets.

3.5%

Japan Index



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THE WORLD AT A GLANCE

	2019	2020	2021	2022	2023
UK CASH	0.7%	0.2%	0.0%	1.4%	4.7%
US DOLLAR INDEX	0.2%	-6.7%	6.4%	8.2%	-2.1%
UK GILTS	6.9%	8.3%	-5.2%	-23.8%	3.7%
US TREASURIES	6.9%	8.0%	-2.3%	-12.5%	4.1%
GLOBAL CORPORATE BONDS	7.3%	7.1%	-1.9%	-6.8%	4.0%
GLOBAL HIGH YIELD BONDS	8.3%	3.8%	2.0%	-2.3%	8.2%
US 500	28.9%	16.3%	26.9%	-19.4%	24.2%
UK ALL SHARE INDEX	14.2%	-12.5%	14.5%	-3.2%	3.8%
EURO 600 INDEX EX UK	24.2%	1.0%	22.4%	-14.9%	14.8%
JAPAN INDEX	15.2%	4.8%	10.4%	-5.1%	25.1%
ASIA EX JAPAN	17.9%	22.4%	-3.1%	-15.4%	6.4%
EMERGING MARKETS	15.4%	15.8%	-4.6%	-22.4%	7.0%
COMMODITIES	13.1%	-26.1%	41.6%	41.9%	-9.7%
GOLD	18.0%	20.9%	-4.3%	-0.7%	12.8%
HEDGE FUNDS	8.1%	5.8%	3.0%	-4.4%	2.7%

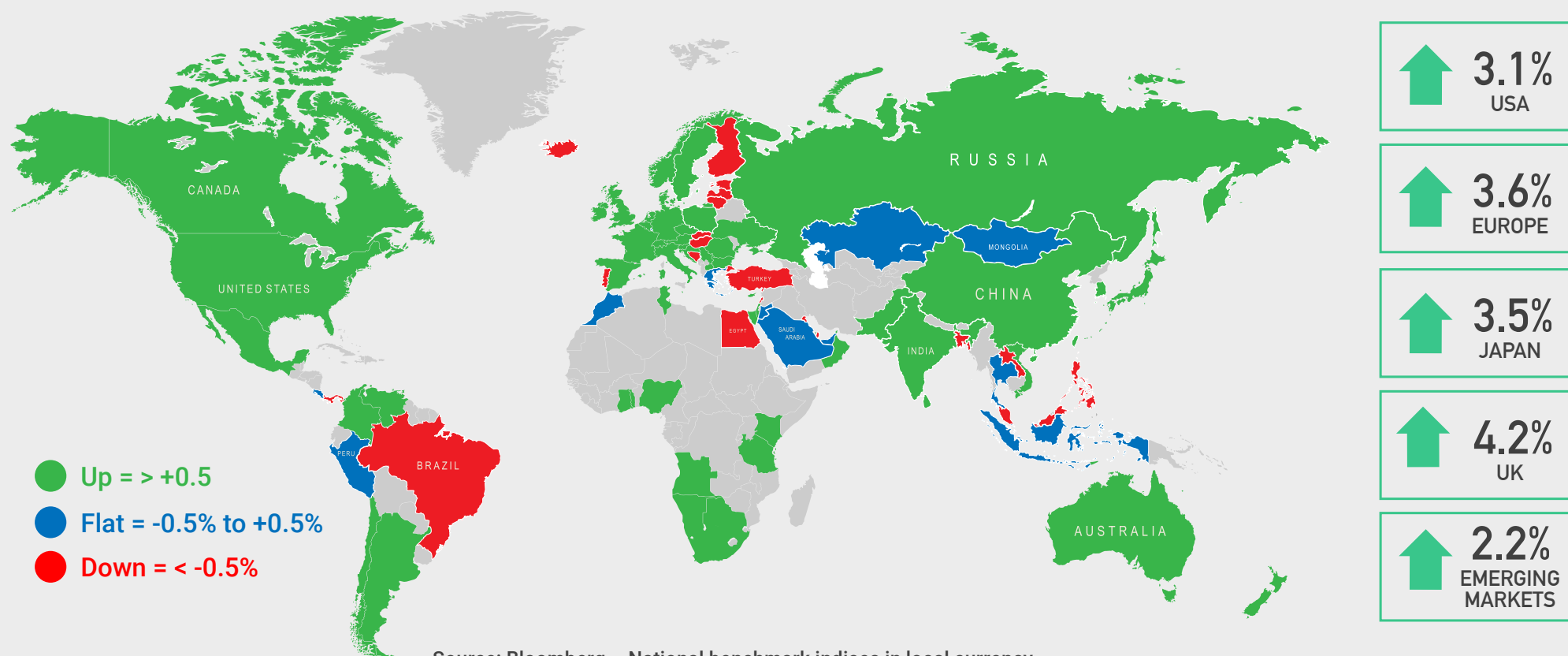
	March 2024	Year to Date
UK CASH	0.4%	1.3%
US DOLLAR INDEX	0.3%	3.1%
UK GILTS	1.7%	-1.6%
US TREASURIES	0.6%	-1.0%
GLOBAL CORPORATE BONDS	1.1%	0.1%
GLOBAL HIGH YIELD BONDS	1.5%	3.0%
US 500	3.1%	10.2%
UK ALL SHARE INDEX	4.2%	2.5%
EURO 600 INDEX EX UK	3.6%	7.8%
JAPAN INDEX	3.5%	17.0%
ASIA EX JAPAN	3.2%	4.4%
EMERGING MARKETS	2.2%	1.9%
COMMODITIES	4.9%	11.4%
GOLD	8.3%	7.4%
HEDGE FUNDS	1.3%	2.6%

Source: Bloomberg

Total Return – Local Currency

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WORLD EQUITY MARKETS

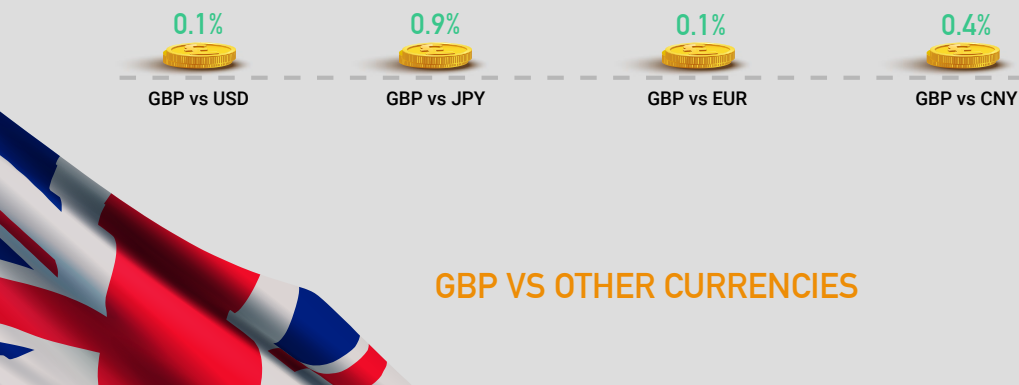


Key Points

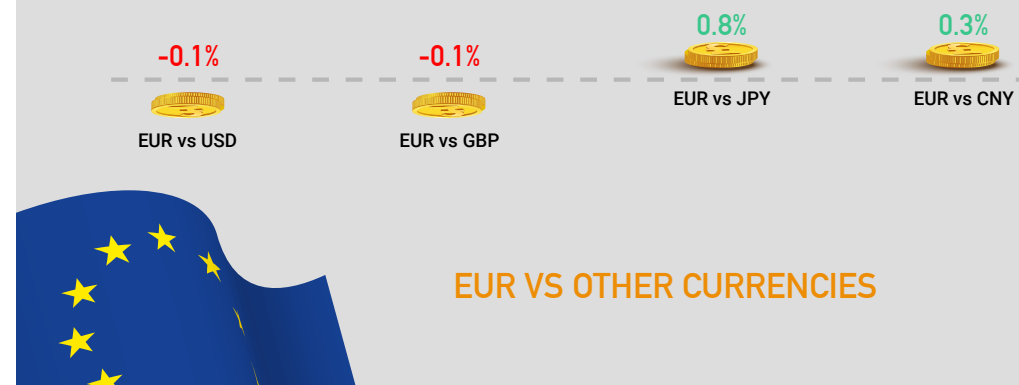
- Equity markets in the US, Japan and Europe all reached all-time highs, which reflected an improved investor sentiment.
- Stocks traditionally styled as 'Value' outperformed 'Growth' across all major developed markets. The best performing sectors were energy (+9.1%) and materials (+6.5%).
- Commodities (gold, oil, copper) were strong across the board and commodity-related sectors significantly outperform the wider market. The FTSE Gold Mines Total Return GBP was up over +20%.
- In the UK, oil majors were meaningful contributors to index performance, while in the US, mid and small caps outperformed large caps and technology.

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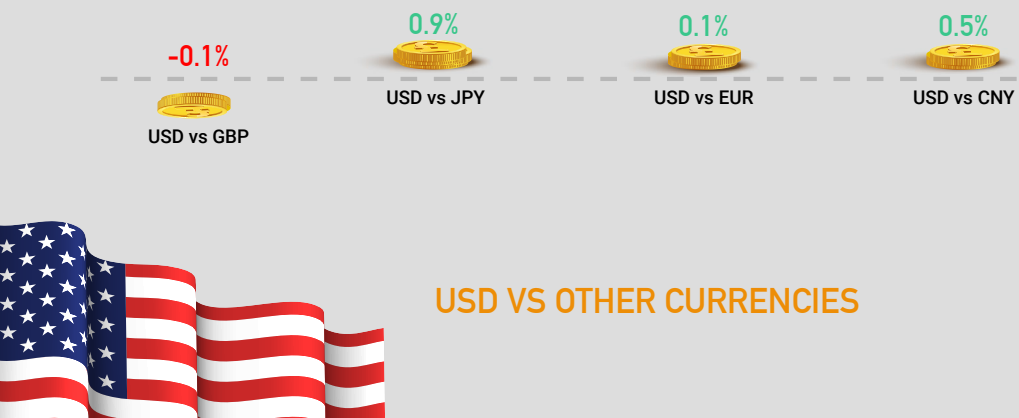
CURRENCIES



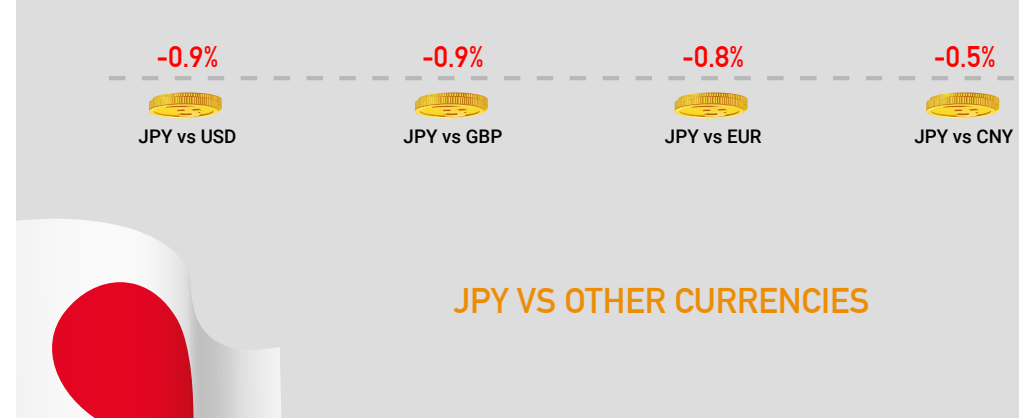
GBP VS OTHER CURRENCIES



EUR VS OTHER CURRENCIES



USD VS OTHER CURRENCIES



JPY VS OTHER CURRENCIES

Key Points

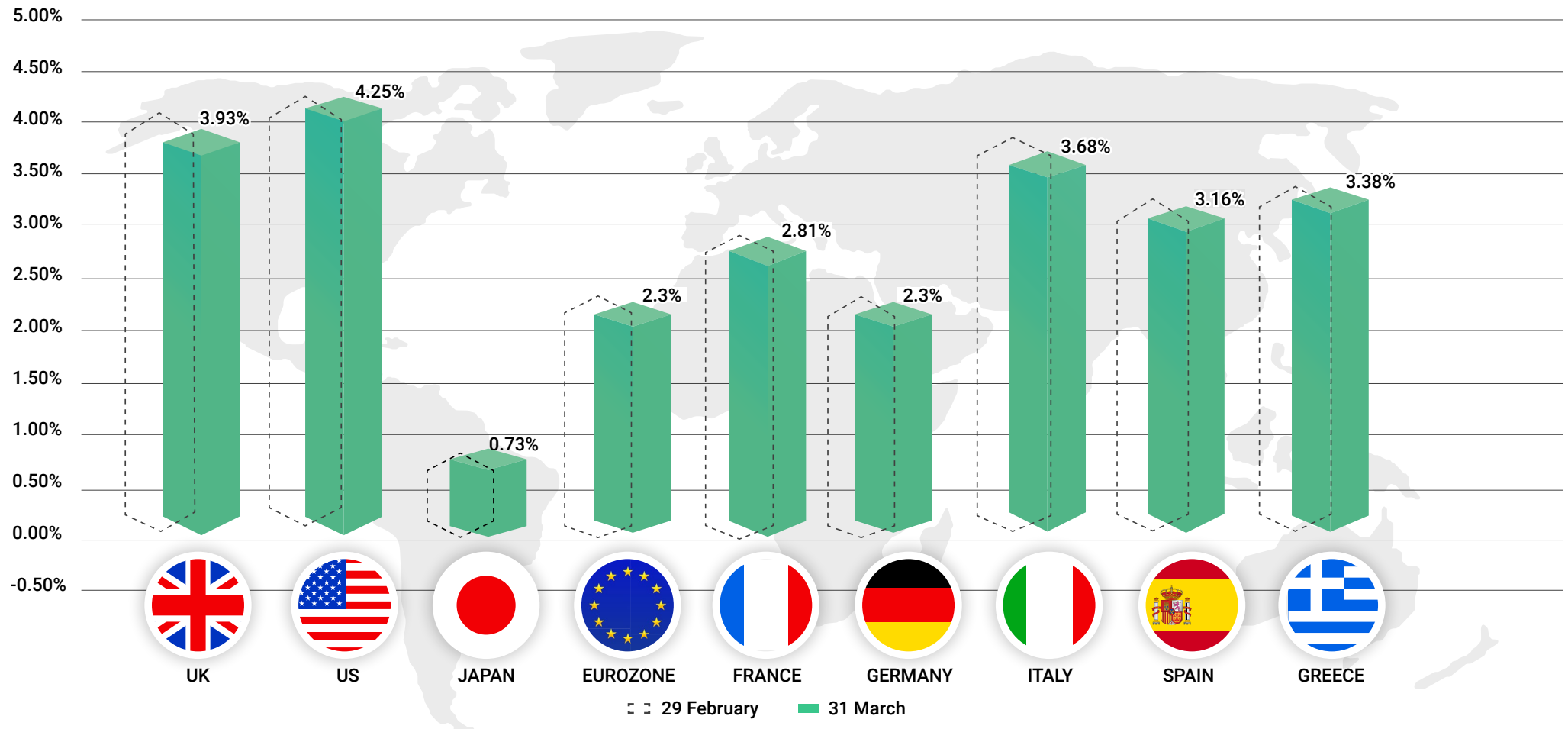
- Tough language from the Fed, and robust macro data, helped to reinforce the expectation of 'higher for longer' on interest rates. This allowed the US Dollar to hold onto the gains from earlier in the quarter.
- The Bank of Japan increased its policy rate for first time in two decades, which had largely been anticipated by the markets, and therefore there was little movement in the yen vs. other major currency pairings.

- Sterling was broadly flat for the month versus the US Dollar, closing at US\$1.263. Sterling did rally early in the month, but then gave up those gains as the Dollar strengthened.
- Sterling was also flat against the euro, month on month, finishing unchanged at £0.855 to the euro. It has traded across a tight range of 0.85 to 0.87 over the last several months.

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GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- Year-on-year UK inflation data improved, helped by higher data points from last year dropping out of the calculation, with rate cut expectations improving slightly. Gilts and Index linked bonds rallied, but volatility remained high.
- In the US it was another month where underlying inflation data suggested modest progress was being made, yet stronger macro data meant markets continued to price in 'stronger for longer' interest rate expectations.
- The US 'yield curve' remained deeply inverted and has been for a record time period.
- Global High Yield and short duration UK Corporate had another month of positive returns.
- Historically high deficits in most developed markets, as well as high debt/GDP ratios, do not seem to be a focus of concern for the markets.

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GLOSSARY OF TERMS

BoE	Bank of England – central bank of the United Kingdom
BoJ	Bank of Japan – central bank of Japan
Correlation	The degree to which the returns of financial assets or instruments move in relation to each other
CNY	Chinese renminbi (yuan) – currency of the People’s Republic of China
CPI	Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
Dovish	The approach in which central banks are likely to keep monetary policy “loose” or accommodative
ECB	European Central Bank – the central bank of the European Union countries which have adopted the euro
EUR	Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency
The ‘Fed’	or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks
GBP	British Pound – sometimes referred to as ‘sterling’
GDP	Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries

Growth Stocks	Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends
Hawkish	The approach in which central banks are likely to keep monetary policy “tight” or restrictive
JPY	Japanese Yen – currency of Japan
Macro	or Macroeconomics – a branch of economics that deals with the performance, structure, behavior, and decision-making of an economy as a whole
PMI	Purchasing Managers’ Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
USD	US Dollar – currency of the United States of America
Value Stocks	Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to Growth stocks.
Yield Curve	a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity
YoY	Year over year

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Sources: Collidr, Bloomberg. Indices: Barclays, FTSE, Bloomberg, STOXX, Japan Exchange Group, MSCI, S&P, New York Mercantile Exchange, Chicago Mercantile Exchange, Bureau of Labour Statistics, US and Office for National Statistics, UK notice.