



Market Commentary
May 2024

MARKET COMMENTARY

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SNAPSHOT

- Equities suffered their worst month since September, although UK and Chinese equities bucked this trend.
- Global bonds declined as yields pushed higher.
- The US dollar notched its fourth consecutive monthly advance.

All percentages below are monthly returns for April 2024

EQUITIES



BOND MARKETS

BONDS

Fall on inflation and rates concerns

	UK GILTS	-2.9%
	US TREASURIES	-2.3%
	GLOBAL CORPORATE BONDS	-1.4%
	GLOBAL HIGH YIELD BONDS	0.1%



*Values represent bond index returns

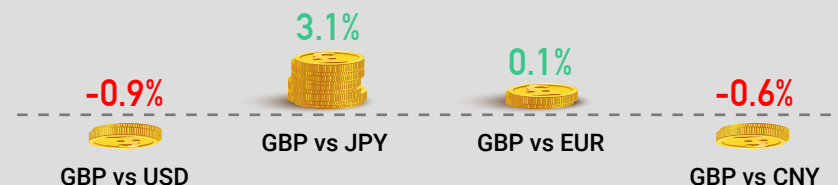
CURRENCIES

CURRENCIES

Sterling strengthened but weak against the dollar



Pound vs Other Currencies



KEY INDICATORS



GOLD – XAU/USD

3.4%



OIL – BRENT CRUDE

0.4%



COMMODITIES

2.1%



INFLATION – UK CPI (YOY)

3.2%



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GLOBAL MARKETS

Hotter inflation has fuelled fears of prolonged higher rates, driving a shift in investor sentiment.



US MARKETS

Markets faced multiple headwinds

Despite buoyant corporate earnings, US equities faced headwinds. Real Estate, Healthcare, and Information Technology sectors led the decline. The market was impacted by disappointingly low US GDP growth, while hotter-than-expected inflation raised concerns about the Federal Reserve's potential interest rate decisions. Strong retail sales did little to alleviate fears. Manufacturing PMIs slipped back into contraction, and US consumer confidence deteriorated in April, reaching its lowest level in over 1-1/2 years. Additionally, the U.S. job market showed signs of cooling, with job openings falling to a three-year low.

-4.2%

US 500



UK MARKETS

Outperform global peers

Thanks to index composition, notably due to the banking, mining, and oil sectors, UK equities outpaced global counterparts. Robust performances from NatWest and others buoyed stock prices. Corporate actions, such as BHP bid for Anglo American, fuelled a 21% surge in its shares. Strong oil prices further bolstered UK equities. Concurrently, UK business activity surged, hitting its swiftest pace in nearly a year, as evidenced by the Composite PMI climbing in April. However, escalating input costs, coupled with declining output prices, hint at dwindling demand, squeezing business margins.

2.1%

UK All Share



EUROPEAN MARKETS

Declined despite improving GDP growth numbers

European equities experienced their first monthly decline in 2024. Small and mid-caps stocks outperformed large caps, and value outperformed growth over the month. Euro bonds also declined, but European high yield avoided negative returns. The euro weakened against both the US dollar and sterling. Q1 GDP growth reached 0.3%, the best quarter since Q3 2022, and inflation declined. Additionally, business activity in the Eurozone surged, driven by a recovery in the services industry.

-2.6%

Euro 600 Index ex UK



JAPAN MARKETS

A volatile month overall

Japanese equities were volatile during April, ultimately ending the month with negative returns. The yen faced downward pressure due to widening interest rate gaps between Japan and other developed economies, sparking investor worries about the potential impact of imported inflation on domestic demand. Inflation showed signs of easing, with the Tokyo-area Core CPI rising by 1.6% year-on-year. Economic data indicated stabilisation in Japan's manufacturing sector (PMI releases) and strengthened services. Hiring activity across the private sector remained positive.

-0.9%

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%

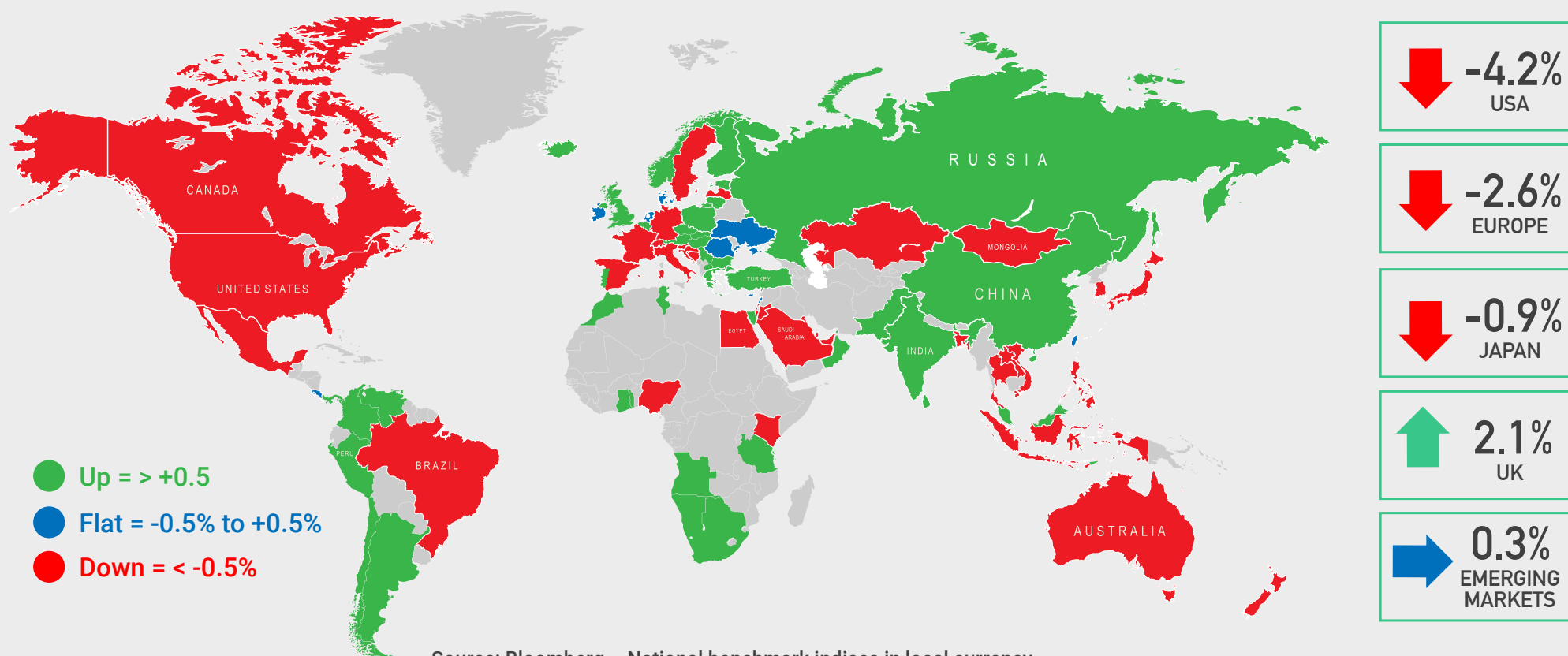
	April 2024	Year to Date
UK CASH	0.5%	1.8%
US DOLLAR INDEX	1.7%	4.8%
UK GILTS	-2.9%	-4.5%
US TREASURIES	-2.3%	-3.3%
GLOBAL CORPORATE BONDS	-1.4%	-1.3%
GLOBAL HIGH YIELD BONDS	0.1%	3.1%
US 500	-4.2%	5.6%
UK ALL SHARE INDEX	2.1%	4.7%
EURO 600 INDEX EX UK	-2.6%	5.0%
JAPAN INDEX	-0.9%	15.9%
ASIA EX JAPAN	2.1%	6.6%
EMERGING MARKETS	0.3%	2.2%
COMMODITIES	2.1%	13.7%
GOLD	3.4%	11.0%
HEDGE FUNDS	0.0%	2.6%

Source: Bloomberg

Total Return – Local Currency

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WORLD EQUITY MARKETS

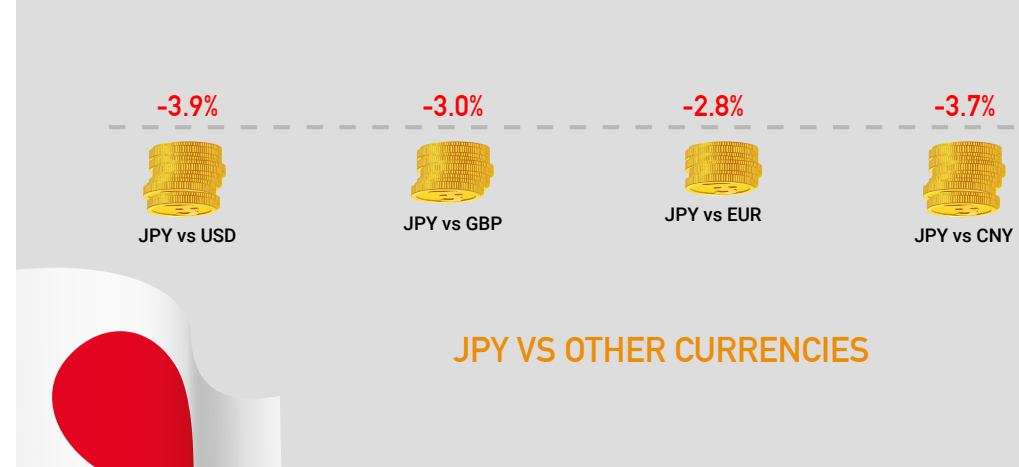
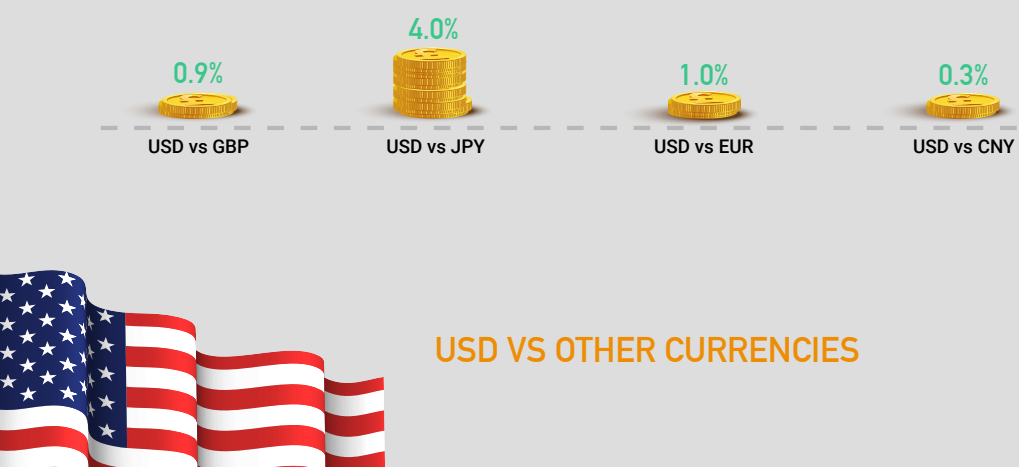
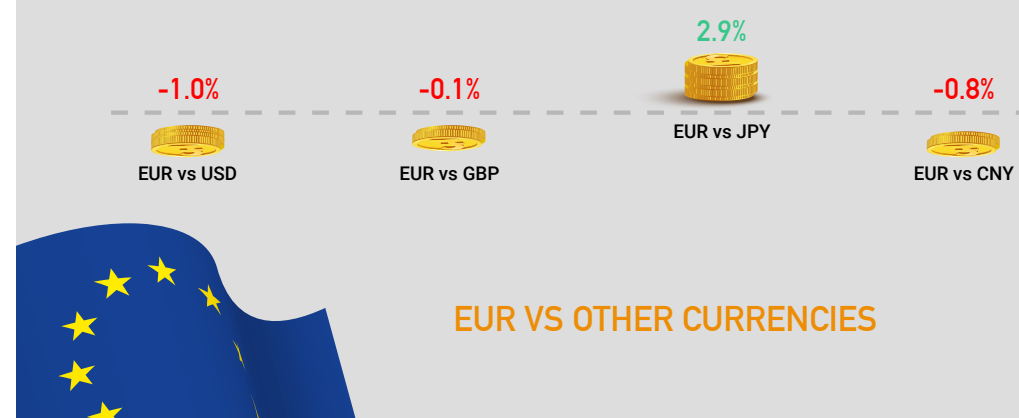
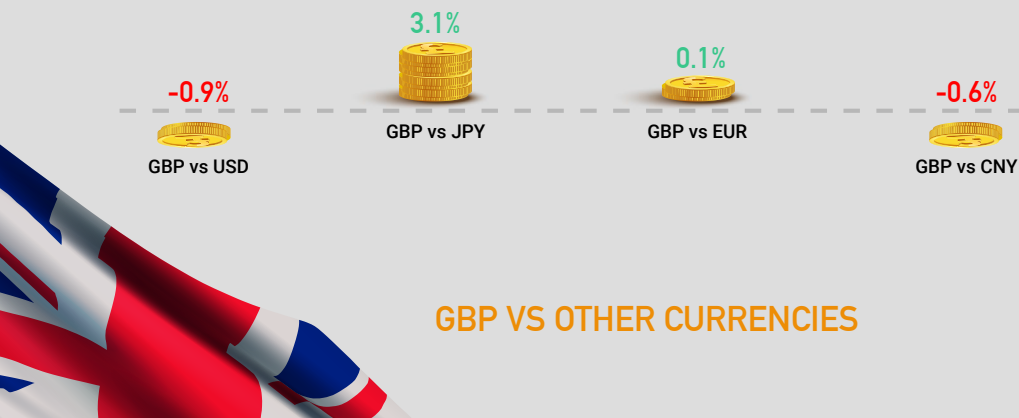


Key Points

- Global equities declined by 2.74% with emerging markets generally outperforming developed market countries in aggregate.
- US equities declined, weighed down by disappointingly low US GDP growth. Hotter-than-expected inflation and strong retail sales fuelled concerns about higher-for-longer interest rates. Large-cap equities performed better than small-cap equities, while growth outperformed value.
- Chinese equities had a promising month, with the FTE China 50 and the Hang Seng delivering strong returns due to cheap valuations and prospects of Beijing's intervention in property woes.
- UK equities enjoyed a robust month, buoyed by strong banking earnings, elevated oil prices, and M&A activity in the mining sector.

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CURRENCIES



Key Points

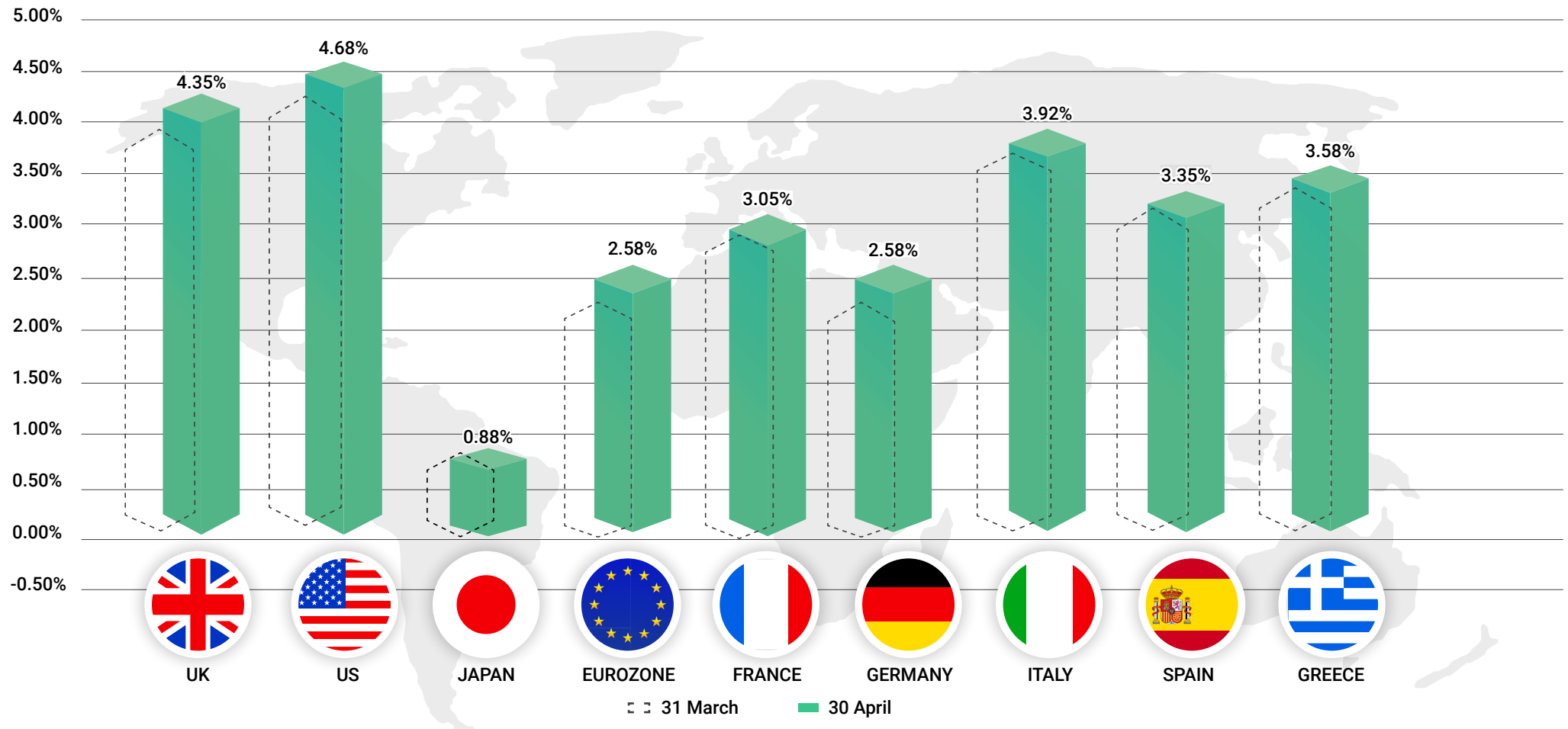
- The US dollar rose against all major currencies, with Fed rhetoric shifting to a “high for longer” narrative on ‘hot’ economic data. Geopolitical tensions and risk aversion added to USD strength, reinforcing the currency’s “safe haven” status.
- The Japanese Yen fell against major currencies due to its low yield, especially against the US dollar. A suspected intervention by the Bank of Japan limited a further decline. The Bank of Japan’s decision to maintain interest rates at 0-0.1% also put pressure on the currency.

- Sterling strengthened against most major currencies but weakened against the US dollar. The UK faces sticky services inflation and wages growth. However, the Bank of England rhetoric still points to a near-term rate cut.
- The euro weakened against both the US dollar and sterling, with the European Central Bank signalling the possibility of a 0.25% rate cut at its 6 June meeting.

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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

- Global bond markets delivered negative performance due to rising yields and resilient inflation. Rate cut expectations have dampened, leading to market expectations of prolonged higher rates.
- US treasuries delivered negative returns with the U.S. 10-year Treasury yield surging to 4.68%, the highest level in six months, amid persistent inflation.
- European bond returns were negative as yields rose. Bund-10 Treasury yield gap widened to 2.1%, signalling eurozone rate cut expectations, contrasting with expectations of prolonged higher rates in the US.
- UK government bonds delivered negative returns as bonds yields were driven higher by resilient service inflation weighing on rate expectations.
- Corporate and high-yield bonds outperformed government bonds, but still yielded negative returns over the month.

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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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