MARKET COMMENTARY

March 2024

SNAPSHOT

- For a second month in a row, equities traded higher while bonds declined.
- US and growth-focused stocks performed best.
- Markets seem to be pricing in that interest rates cuts will now occur later in the year.

All percentages below are monthly returns for February 2024

EQUITIES

US MARKETS

'Magnificent Seven' earnings buoy markets

5.2%
US 500

UK MARKETS

Underperform on recession data

-0.2%
UK ALL SHARE

EMERGING MARKETS

Outperform on China's rebound

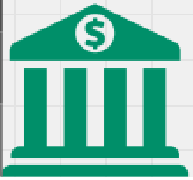
4.6%
EM

BOND MARKETS

BONDS

Hot data fuels upward pressure on yields

UK GILTS	-1.1%
US TREASURIES	-1.3%
GLOBAL CORPORATE BONDS	-0.5%
GLOBAL HIGH YIELD BONDS	1.6%



*Values represent bond index returns

CURRENCIES

CURRENCIES

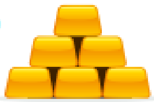
Pound broadly lower as disinflation slows

Pound vs Other Currencies

GBP vs USD	GBP vs JPY	GBP vs EUR	GBP vs CNY
-0.8%	1.7%	-0.3%	-0.4%

KEY INDICATORS

GOLD – XAU/USD
-0.2%



OIL – BRENT CRUDE
2.3%

COMMODITIES
1.6%

INFLATION – UK CPI (YOY)
4.0%

DISCLAIMER – The value of investments and the income from them can go down as well as up and past performance is not a guide to future performance. Returns are in local currency unless indicated otherwise. Source: Bloomberg.

GLOBAL MARKETS

On the back of persistent global inflation and robust US economic data, the markets now expect that developed markets will not cut interest rates until later in the year.

US MARKETS

Continue their upward trajectory

US equities moved higher through February, driven chiefly by gains in the Consumer Discretionary (+8.6%), Industrials (+7.0%), and Information Technology (+6.2%) sectors. Despite the recent cycle of interest rate hikes, the US economy continues to remain resilient and even above expectations in areas, almost expansionary territory, given the recent growth and PMI indicators. The 'Magnificent Seven' stocks are increasingly looking like the magnificent three (Nvidia, Meta and Amazon), with Q1 earnings exacerbating this trend. The dollar moved higher in the month, while fixed income has languished year-to-date, with investors now expecting that the Fed will not cut rates until later in the year.

Up 5.2% (US 500)

UK MARKETS

Trailed developed market counterparts

UK stocks trailed their developed market counterparts for the month. On a positive note, the index was led by financials (+3.1%) and industrials (+3.7%). As well, larger cap companies tended to outperform mid and smaller cap equivalents. Following the release of new data, the country had slipped into a technical recession at the tail end of 2023, and Q1 earnings figures have also pointed to a slowdown in company profits. Within the fixed income space, corporate bonds and index-linked selections finished ahead of the broader gilt index, as longer dated yields moved lower, buoying returns.

Down -0.2% (UK All Share)

EUROPEAN MARKETS

Rallied on better inflation data

European equities rallied through the month, but slightly underperformed most developed market peers. Large cap companies finished ahead of mid and small caps. Aided by declines in energy and food inflation, European inflation is trending back toward the long-run ECB target of 2%, albeit at a slow pace. Eurozone services PMI's improved and the unemployment rate has declined, while, on the other hand, retail sales are falling, and business and consumer confidence remains fairly negative. European fixed income was broadly lower as yields rose, and government bonds underperformed their corporate counterparts.

Up 2.4% (Euro 600 Index ex UK)

JAPAN MARKETS

Performed well on multiple fronts

Japanese stocks performed well in yen terms, as both the Nikkei and domestically focused TOPIX index were positive. Inflation remains elevated relative to the 25-year average, but it is moderating gently back toward the 2% annualised target, with goods and food inflation sharply dropping. The yen continues to depreciate on the back of the continued loose monetary policy stance by the Bank of Japan. This stance has served as both a tailwind to the country's significant export base, as it has for Japanese bonds, which delivered positive returns in February.

Up 4.9% (Japan Index)

THE WORLD AT A GLANCE

	2019	2020	2021	2022	2023	Feb 2024	Year to Date
UK CASH	0.7%	0.2%	0.0%	1.4%	4.7%	0.4%	0.9%
US DOLLAR INDEX	0.2%	-6.7%	6.4%	8.2%	-2.1%	0.9%	2.8%
UK GILTS	6.9%	8.3%	-5.2%	-23.8%	3.7%	-1.1%	-3.3%
US TREASURIES	6.9%	8.0%	-2.3%	-12.5%	4.1%	-1.3%	-1.6%
GLOBAL CORPORATE BONDS	7.3%	7.1%	-1.9%	-6.8%	4.0%	-0.5%	-1.0%
GLOBAL HIGH YIELD BONDS	8.3%	3.8%	2.0%	-2.3%	8.2%	1.6%	1.5%
US 500	28.9%	16.3%	26.9%	-19.4%	24.2%	5.2%	6.8%
UK ALL SHARE INDEX	14.2%	-12.5%	14.5%	-3.2%	3.8%	-0.2%	-1.6%
EURO 600 INDEX EX UK	24.2%	1.0%	22.4%	-14.9%	14.8%	2.4%	4.1%
JAPAN INDEX	15.2%	4.8%	10.4%	-5.1%	25.1%	4.9%	13.1%
ASIA EX JAPAN	17.9%	22.4%	-3.1%	-15.4%	6.4%	5.8%	1.2%
EMERGING MARKETS	15.4%	15.8%	-4.6%	-22.4%	7.0%	4.6%	-0.3%
COMMODITIES	13.1%	-26.1%	41.6%	41.9%	-9.7%	1.5%	6.2%
GOLD	18.0%	20.9%	-4.3%	-0.7%	12.8%	-0.2	-0.9%
HEDGE FUNDS	8.1%	5.8%	3.0%	-4.4%	2.7%	0.9%	1.3%

Source: Bloomberg

Total Return – Local Currency

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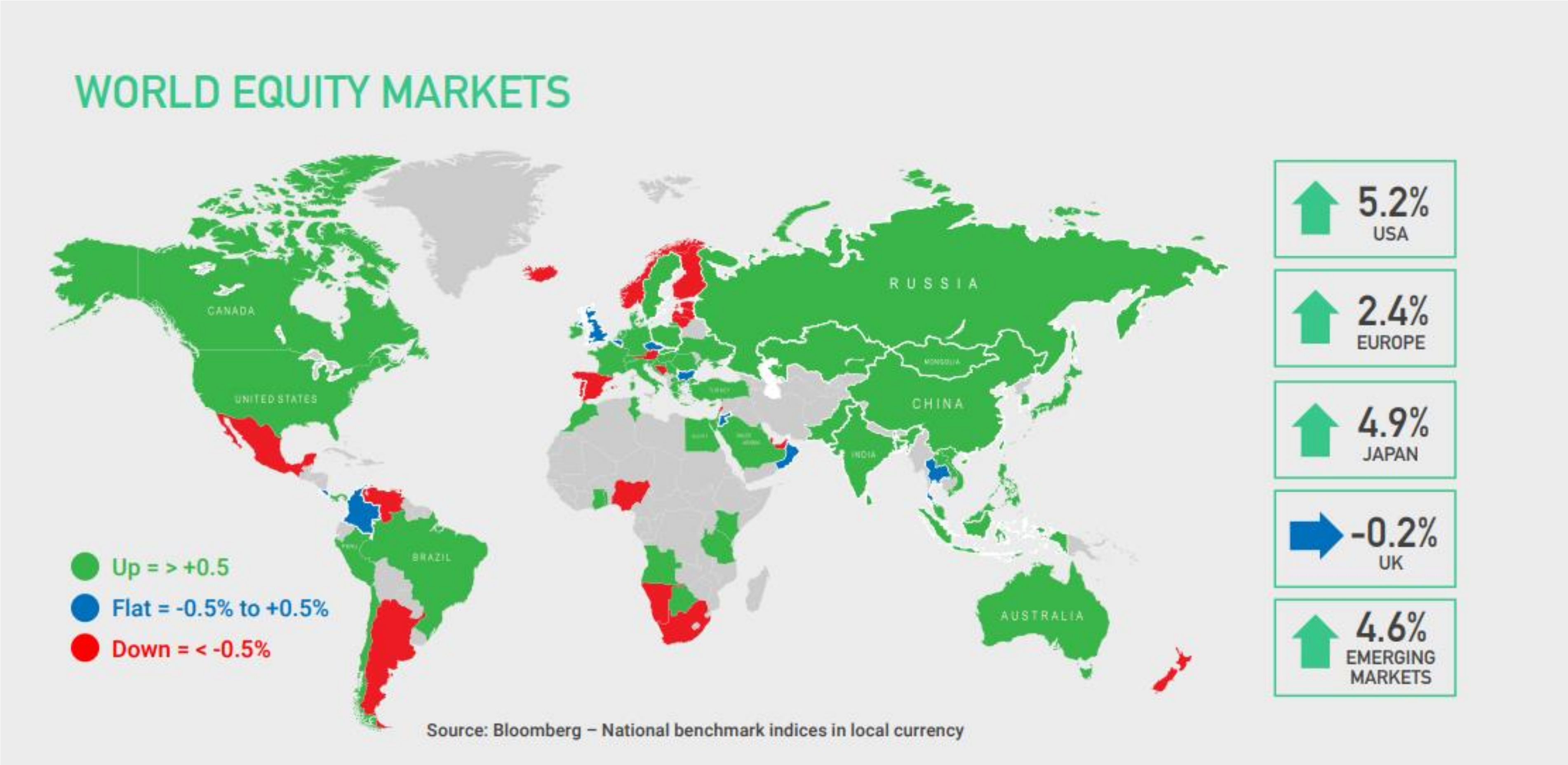
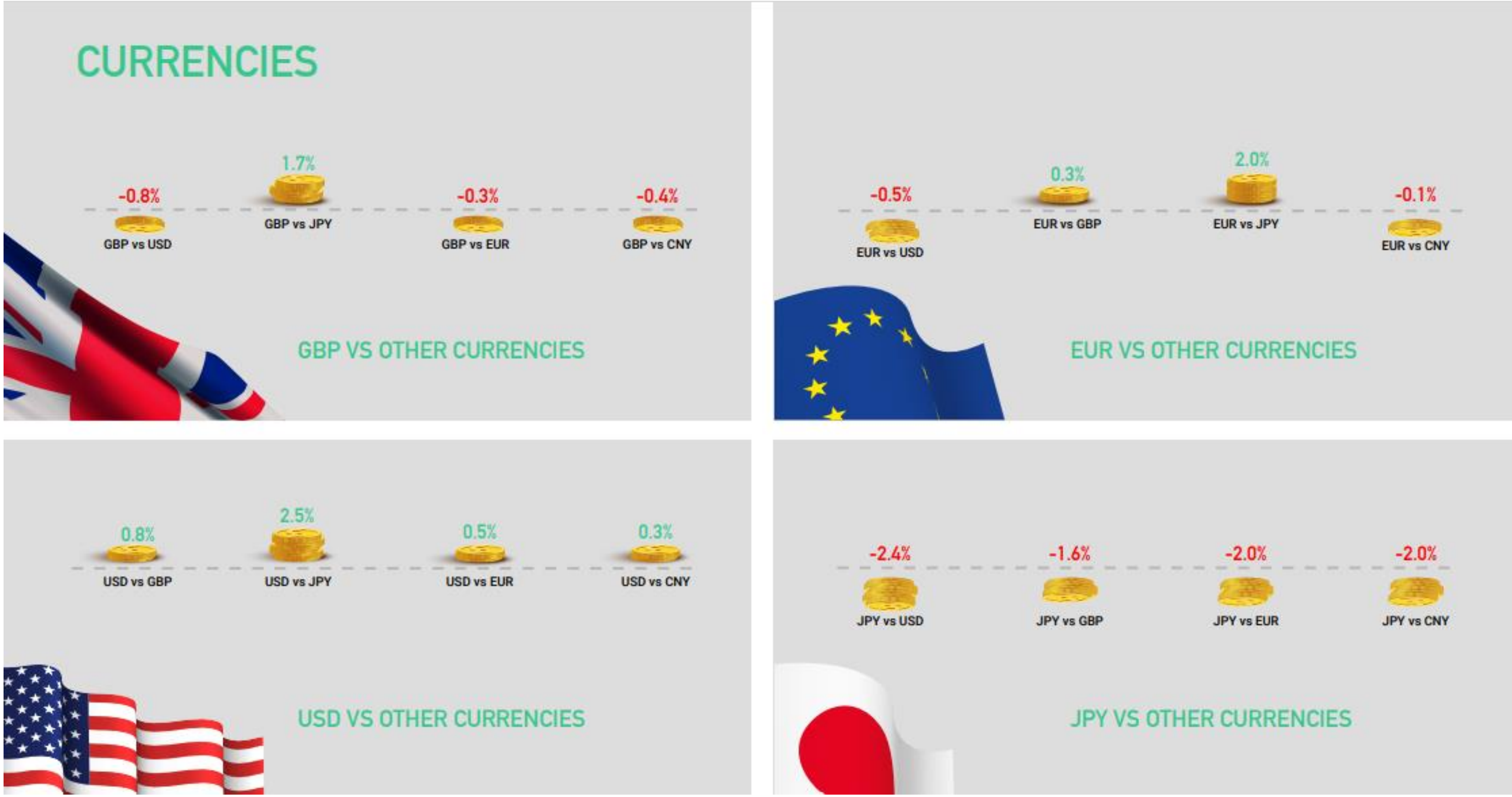


Key Points

- Global equities moved higher in February, with emerging markets stocks narrowly outperforming developed market equivalents (+5.5% vs +4.9% in GBP terms).
- Across developed markets for the month, the best performing sectors were consumer discretionary (+7.5%), technology (+6.2%), and industrials (+5.8%), while utilities (-1.1%) was the only sector to post negative returns in aggregate.
- Through a traditional investment style 'lens', global growth equities (+6.8%) comfortably outperformed value equities (+3.2%), while large caps outperformed small caps (+4.9% vs +4.2%). These market trends have persisted over recent quarters.
- Energy and natural resource focused companies saw share prices underperform, as commodities were weaker in general. While real estate also trailed broader indices, with higher rates serving as an ongoing headwind to performance for the sector.

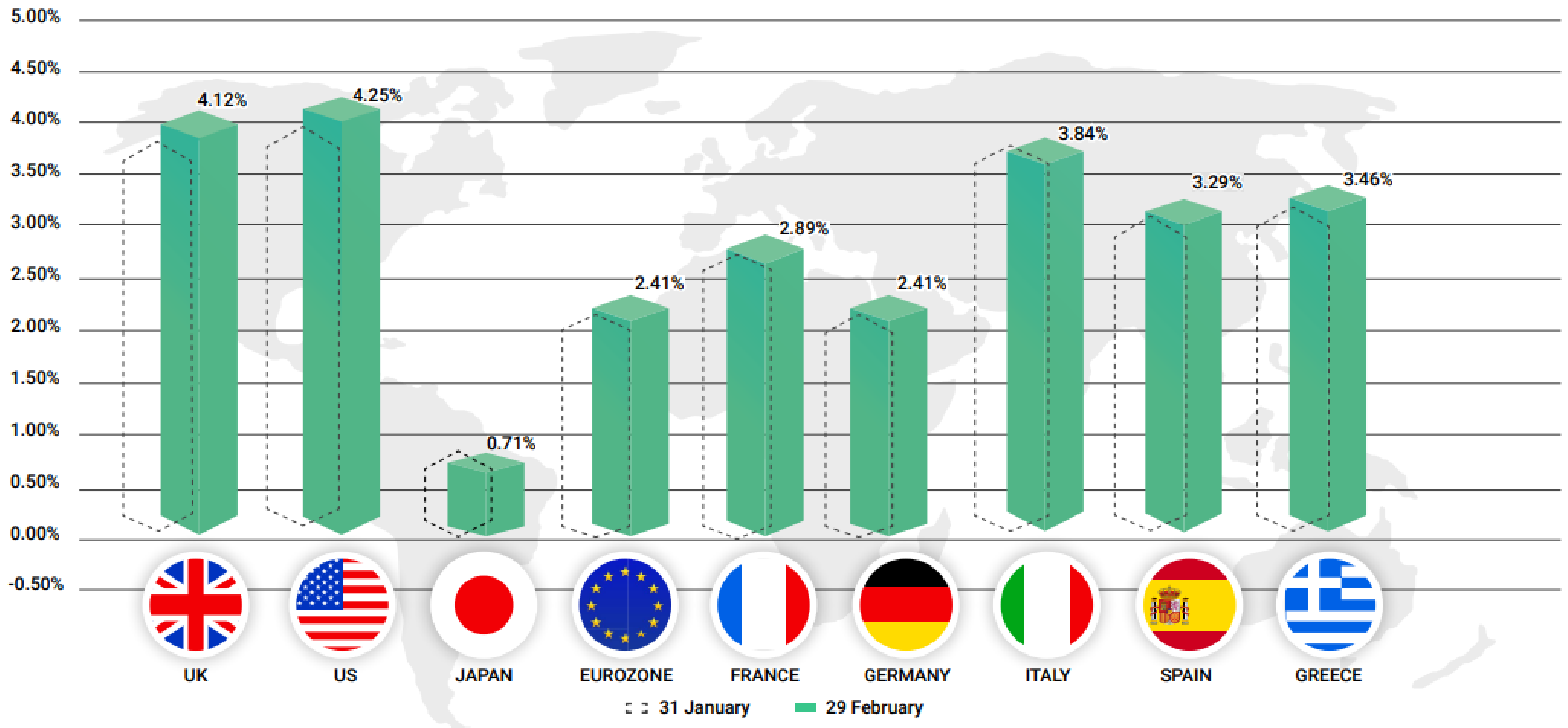


Key Points

- The best performing major currency in February was the US dollar, which appreciated against all major pairings but most notably versus the Japanese yen.
- In aggregate terms, sterling declined back toward the $1.26 mark at month end, as the UK is still wrestling with concerns over inflation, growth, productivity, and a yawning twin deficit.
- The Japanese yen continued its slide against major currency pairs, ending the month at 150 to the dollar, as the Bank of Japan persisted with its monetary stance and control of the country's yield curve.
- The euro and Chinese yuan experienced a more mixed performance profile, both lower versus the dollar, but ahead versus the Japanese yen.

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

- The bond market was broadly negative in February as inflation concerns continued and yields backed up.
- The largest movements in 10-year yields were seen in the US (+0.34% to 4.25%) and UK (+0.33% to +4.12%). Japan was the only country to see a slight decline on their 10-year yield (down 2 basis points).
- The best performing area of the fixed income space was emerging market debt, which rallied alongside EM equities as general sentiment lightened and the US economic outlook improved. High Yield also posted positive returns, with European issues performing best.
- Despite being led by the US, where growth remains robust and ahead of expectations, investment grade bond indices were negative. While the worst performers were Japan and the UK, which are both facing long-run structural productivity concerns and mounting debt issuance.

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 Yuan – currency 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, in order to stimulate the economy
ECB	European Central Bank – the central bank of the European Union countries which have adopted the euro
EM	Emerging Markets
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
Hawkish	The willingness of central banks to keep monetary policy ‘tight’ or restrictive, in order to keep inflation under control
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
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

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