



**THROGMORTON**  
PRIVATE CAPITAL

# Monthly Market Update



## April 2024

Independent Advice. Bespoke Solutions.

### Q1 2024 Market Commentary

“Global equities posted strong returns as a resilient US economy, AI and expected interest rate cuts drove investment sentiment”

It was a strong first quarter for global equity markets. Most markets registered strong gains as the US economy remained resilient and is unlikely to enter recession. Furthermore, equity returns were fuelled by the clamour for Artificial Intelligence stocks. Whilst expectations of interest rate cuts also initially boosted equities. However, as the quarter passed, it became more likely that the pace of cuts would be slower than investors had hoped for at the start of 2024. These interest rate cut expectations meant that global bonds posted negative returns in the quarter, with yields rising and prices falling.



Matthew Cove DipFA  
Director  
01304 371 753

#### **United Kingdom**

FTSE All Share: 3.57%

UK equities rose over Q1 2024 on the expectation that interest rates would be cut sooner than previously forecast as inflation undershot the Bank of England's (BoE) forecasts. However, by the end of Q1, the BoE held the interest rate at 5.25%. Inflation has fallen from a peak of 11.1% in October 2022, to 3.4% in February 2024, which represents the lowest rate since September 2021.

Official data showed that the UK economy had entered a technical recession in the second half of 2023. This occurred as the tailwind of

post-pandemic spending came to an end and the headwinds of higher inflation and interest rates weighed on economic activity.

### United States

S&P 500: 11.45%

US equities advanced robustly in Q1 2024. The returns were supported by some well received corporate earnings and the ongoing expectations of interest rate cuts later this year.

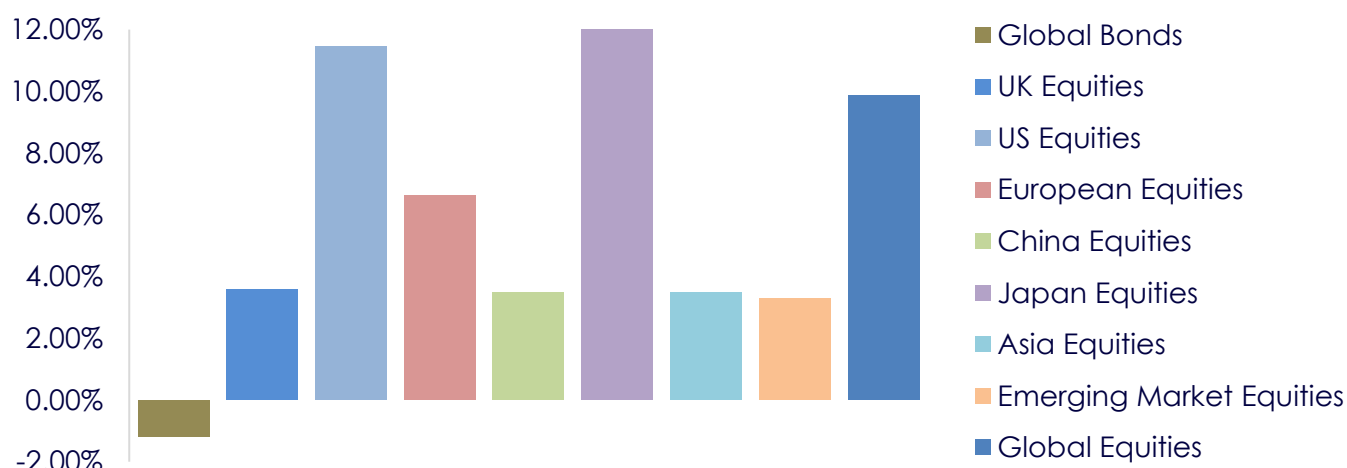
European Central Bank President, Christine Lagarde, downplayed the chances of interest rate cuts, telling the European Parliament that the central bank does not want the risk of reversing any premature cuts.

### China

CSI 300: 3.47%

Despite a strong rally in the middle of the quarter, Chinese stocks still ended the quarter

Discrete Quarterly Performance as at 31/03/2024



Whilst the pace of monetary policy easing is likely to be slower than had been expected, the resilient US economic data did little to dampen the appetite for equities. Annualised GDP growth for Q4 2023 was revised up to 3.4% and the Purchasing Managers Index (PMI) signalled expansion after 16 straight months of contraction, rising to 50.3 in March 2024.

The US Federal Reserve (Fed) kept interest rates on hold at 5.25-5.5%, after inflation ticked up to 2.5%. Fed Chair, Jerome Powell, said that the central bank will be "careful" about the decision on when to cut rates, with only three such cuts now expected this year.

### Europe

FTSE Developed Europe ex UK: 6.63%

Eurozone shares posted a strong gain in Q1 2024 as economic data in the region improved. Business activity picked up, with the PMI rising to 49.9 and inflation falling to 2.6%.

lower than most other mainstream markets. Foreign investors remain cautious amid ongoing fears about the outlook for the Chinese economy and especially its post-pandemic recovery. Ongoing US-China tension, most recently in the form of attempts by US lawmakers to discourage investments into China, also weighed on sentiment.

### Japan

MSCI Japan: 12.02%

The Japanese equity market experienced an exceptionally strong rally. Foreign investors helped to drive the market up due to increasing optimism over Japan's positive economic cycle, characterised by mild inflation and wage growth. It was also a historic moment during Q1 2024, as the Nikkei Index reached its all-time high.

Corporate earnings in Japan have exceeded expectations, which has been supported by a

weakening yen. However, it is the inflationary environment which is expected to boost earnings for many Japanese companies, especially those with pricing power.

## Emerging Markets

MSCI Emerging Markets: 3.30%

Emerging market equities gained over Q1 2024, but underperformed developed market peers. China dragged on returns. However, Indian stocks performed well with investors hopeful that the political stability that has unspinned recent stock market growth will continue if Narendra Modi wins the election this year. India has also gained from overseas investment in manufacturing, as companies seek to diversify supply chains outside of China, while the country's physical and digital infrastructure has also improved. Taiwan also performed strongly on the back of continued investor enthusiasm about AI, which benefitted the technology sector.

South Africa performed poorly against a backdrop of political uncertainty in the run-up

to the May general election, while Brazil underperformed on profit-taking after the market's strong performance in 2023. Egypt was the worst performer as the currency was devalued by circa 35%.

## Global Bonds

Bloomberg Barclays Global Agg: -1.19%

Q1 2024 saw a significant shift in the landscape of inflation and interest rate expectations, which impacted global bond markets. Expectations for interest rate cuts have been scaled back from the initial optimism at the start of 2024, especially as inflation remains a concern for markets with both the US and Eurozone reporting inflation rates exceeding their forecasts.

As the quarter progressed, government bond yields rose in response to shifting market sentiments and economic indicators. 10-year government bond yields increased across the board. In particular, the US 10-year Treasury, UK 10-year gilt and German 10-year Bund yields rose to 4.21%, 3.94%, and 2.03% respectively, which meant prices fell.

**All investment involves risk. It is important you understand that past performance is not a guarantee of future performance. The value of investments and any income derived from them may go down as well as up and you might not get back the full amount you invested.**

## Cumulative Performance and Annualised Volatility as at 31/03/2024

	1 Year %	3 Years %	5 Years %	Volatility % <sup>2</sup>
Global Bonds	-1.64	-5.56	-2.72	6.69
UK Equities	8.43	26.14	30.34	14.35
US Equities	26.53	49.26	102.76	14.01
European Equities	12.75	28.28	57.27	14.60
Japan Equities	23.11	21.76	49.95	12.18
Asia Equities	9.19	10.26	45.18	16.14
China Equities	-15.58	-24.92	-1.03	17.05
Emerging Market Equities	5.86	-6.51	15.12	14.54
Global Equities	22.45	39.90	82.38	13.37

Data source FE Analytics 31/03/2024. Indices used: Global Bonds: Bloomberg Barclays Global Aggregate, UK Equities: FTSE All Share, US Equities S&P500, European Equities: FTSE Developed Europe (Ex UK), Japan Equities: MSCI Japan, Asia Equities: FTSE World Asia Pacific (Ex Japan), China: CSI 300, Emerging Markets Equities: MSCI Emerging Markets, Global Equities: MSCI World. Volatility annualised over 5 years.

IMPORTANT: Throgmorton Private Capital Ltd 31-33 High Street, Deal, Kent, CT14 6EL Tel: 01304 371753 [www.throgmortononline.co.uk](http://www.throgmortononline.co.uk) is authorised and regulated by the Financial Conduct Authority (FCA). This document is a general communication and is being provided for informational purposes only. It is not designed or intended to be advice or a personal recommendation of any kind. You are recommended to seek appropriate professional independent advice before taking or refraining from taking any action on the basis of the contents of this publication, which does not contain sufficient information to support an investment decision and should not be relied upon in the evaluation of the merits of any specific investment, investment strategy, product or transaction.