



THROGMORTON
PRIVATE CAPITAL

Monthly Market Update



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“Chinese equities rallied in February, meaning the region produced better returns than the developed markets.”



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February 2024 Market Commentary

Global stock markets gained in February with emerging markets performing strongly as Chinese shares experienced a rebound. US equities also continued their upward trend, with the S&P 500 Index achieving record high closing levels during the month.

By contrast, global bond yields generally rose, which meant prices fell as investors pushed out their expectations of when central banks will cut interest rates.

United Kingdom

FTSE All Share: 0.19%

UK equities bucked the trend of other markets and were broadly unchanged over the month. Official data showed that the UK economy had entered a technical recession in the second half of 2023 as the post-pandemic consumer spending boom came to an end and higher inflation and interest rates weighed on activity. However, the Purchasing Managers Index (PMI) indicated that economic activity is rising at its fastest rate since the middle of 2023.

Inflation data positively surprised as it remained steady at 4%, defying expectations of a slight increase. Despite the improving inflation data,

Bank of England (BoE) Governor Andrew Bailey struck a cautious tone around the prospect of interest rate cuts. Speaking at a Treasury select committee he reiterated the bank's concern that inflation will pick up again later in 2024 after briefly dipping below the 2% target.

United States

S&P 500: 6.00%

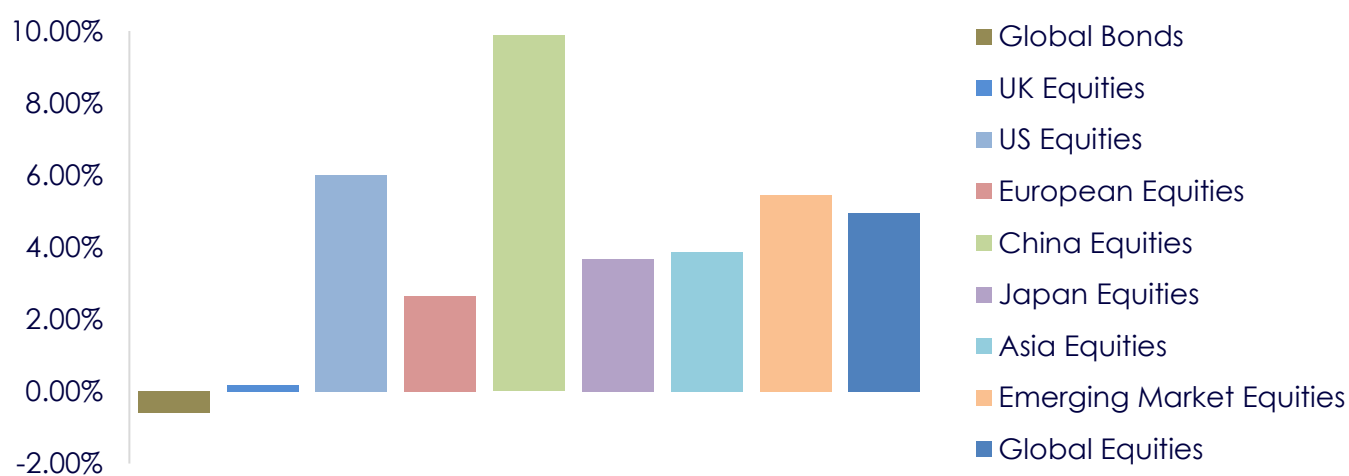
US shares gained strongly in February,

China

CSI 300: 9.88%

The gloom surrounding China may be starting to lift, with the equity market producing higher returns than most of the other mainstream markets in February. This positive sentiment was supported by official figures showing that tourism revenues over the Lunar New Year holidays in February, were higher than in the period before the Covid-19 crisis.

Discrete Monthly Performance as at 29/02/2024



The US Federal Reserve (US Fed) had previously held interest rates in January and the data released in February did little to change investor expectations of interest rates cuts being delayed until later in the year. Employment data remains robust, but inflation slowed to 3.1%.

Europe

FTSE Developed Europe ex UK: 2.66%

Eurozone equities advanced on investor hopes of imminent rate cuts as economic data improved. Inflation eased to 2.6% and there were also some signs of improving business activity as PMI rose to 48.9. However, European Central Bank (ECB) President, Christine Lagarde, continued to downplay the chances of an imminent interest rate cut, telling the European Parliament that the Central Bank does not want to run the risk of having to reverse any cuts.

The sustainability of the boost from tourism remains uncertain, as does the impact of the Chinese government intervention to boost weak consumer demand, falling factory outputs and the real estate crisis. Therefore the region is likely to remain volatile for the foreseeable future.

Japan

MSCI Japan: 3.69%

Japanese equities continued their rally and produced another strong return. The Nikkei 225 finally exceeded its previous all-time high, which was recorded in December 1989. The market rally was supported by corporate earnings strength. Quarterly results announced in February were stronger than forecast and although the quarterly earnings of technology stocks were somewhat weaker, the anticipation of AI demand growth drove the stock prices of semiconductor related stocks higher.

Macroeconomic figures released during the month were somewhat subdued, including Q4 GDP, consumption, and economic sentiment. However, the market was not particularly concerned.

Emerging Markets

MSCI Emerging Markets: 5.46%

Emerging market gained in February and outperformed developed equity markets. Predominantly these markets were given a boost by the rebound in China, but also on the basis of expectations of the US Fed cutting interest rates.

In particular, Korea and Taiwan performed well with the former benefiting from the announcement of tax reform proposals aimed at incentivising companies to improve shareholder returns, and the latter enjoying investor enthusiasm for artificial intelligence. For the first time in a while, India was a laggard in the index, as the financial sector continues to battle the effect of higher interest rates.

Global Bonds

Bloomberg Barclays Global Agg: -0.59%
Government bond yields rose in February, meaning prices fell, with the market continuing to anticipate interest rate cuts. However, the market does not expect these to be immediate as labour markets remain strong and inflation data surprised to the upside.

Major global government bond market yields increased across the board, with the US 10-year yield rising to 4.24%, and in Germany and the UK, yields rose to 2.40% and 4.12% respectively.

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 29/02/2024

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	-1.32	-6.78	-0.15	6.85
UK Equities	0.57	25.21	27.74	14.25
US Equities	24.25	52.74	104.12	14.04
European Equities	9.78	29.16	55.50	14.56
Japan Equities	21.48	20.88	49.21	12.16
Asia Equities	4.55	8.01	42.58	16.08
China Equities	-18.23	-31.89	4.39	17.33
Emerging Market Equities	4.06	-9.07	15.47	14.55
Global Equities	19.59	41.73	82.49	13.37

Data source FE Analytics 29/02/2024. 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.

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