



THROGMORTON
PRIVATE CAPITAL

Monthly Market Update



May 2024

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April Market Commentary

“Emerging markets performed well in comparison to most developed markets, as interest rate cuts in the US are now expected to be later in 2024”

With the exception of the UK, developed market equities fell in April as market expectations of interest rate cuts in the US receded. However, Emerging market equities, including China, produced positive returns in April. Global bond prices fell as yields rose.

United Kingdom

FTSE All Share: 2.47%

The greater exposure to less popular sectors such as financials and commodities benefitted UK equities, which meant they outperformed the more technology reliant equity indices, such as the US.

Meanwhile, a step-up in merger & acquisition (M&A) interest further underlined the UK's low valuation relative to other equity markets and its attraction to foreign investors, which ultimately saw the FTSE 100 Index hit a new all-time high in April.

Commodity prices recovered on the expectation of more persistent global inflation, with such an asset class historically being a beneficiary of higher inflation. However, the higher-than-expected UK inflation release for March weighed on domestically focussed parts of the market given the implication that interest rate cuts may be delayed.



Matthew Cove DipFA
Director
01304 371 753

United States

S&P 500: -3.26%

US equities fell in April as higher-than-expected inflation dampened investor hopes of interest rate cuts in the near term. Inflation ticked up by 0.4%, taking annual inflation to 3.5%.

Furthermore, separate data showed an acceleration in US labour costs adding to the inflationary pressure. Meanwhile, GDP growth

In terms of forward-looking data, the composite Purchasing Managers' Index (PMI) reached an 11-month high of 51.4 for April.

China

CSI 300: 1.05%

Sentiment towards Chinese equities improved in April, which led to them being one of the best performers in the region. However, lingering concerns about the strength of the

Discrete Quarterly Performance as at 30/04/2024



was weaker than expected in Q1 with the US economy expanding by an annualised 1.6%, down from 3.4% in Q4 2023.

Based on this data, investor expectations for interest rate cuts during 2024 have fallen from six at the start of the year to just one or two.

Europe

FTSE Developed Europe ex UK: -2.12%

Eurozone shares were impacted by receding expectations for US rate cuts, subsequently ending April lower.

Although US rate cuts appear more distant, economic data released in the Eurozone suggested that a June interest rate cut from the European Central Bank (ECB) is still likely. A flash estimate showed that Eurozone inflation remained steady at 2.4% in April. Furthermore, the Eurozone economy grew in Q1 with GDP expanding by 0.3% quarter-on-quarter, following the -0.1% decline in Q4 2023.

recovery in the world's second-largest economy capped market gains. There continue to be worries about the country's real estate crisis and the unemployment rate, particularly amongst younger people.

Japan

MSCI Japan: -4.01%

Japanese equities fell in April, but started to recover by the end of the month mainly thanks to solid corporate earnings.

The Yen weakened, mainly due to the strength of the US economy and receding market expectations for a rate cut by the US Fed. The Bank of Japan (BoJ) did not take any action in April, which triggered more speculative moves in the currency market. The Japanese government has expressed concern about the impact the weakening Yen may have on inflationary pressures, as it may lead to a delay in real-term wage growth, which in turn could

weaken consumption and delay domestic demand-oriented economic growth.

The spring wage negotiations concluded with wage growth exceeding 5%. Additionally, Japan continues to experience a higher number of visitors, which supports consumption.

Emerging Markets

MSCI Emerging Markets: 1.34%

Emerging market equities on the whole, posted positive returns in April. Turkey was the top-performing market amid strong foreign equity market inflows and President Erdogan's post-election indication that economic policy will remain orthodox. India, where voting for national elections began, continued to perform strongly.

The Middle Eastern markets, Saudi Arabia, Qatar, UAE and Kuwait, posted losses on an escalation in regional geopolitical tension. The Latin American markets of Mexico, Brazil and Colombia also delivered negative returns as all three currencies depreciated against the US Dollar.

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.

Global Bonds

Bloomberg Barclays Global Agg: -1.66%

The US led the sell-off in global government bonds in April, with the 10-year Treasury yield hitting the highest level (4.70%) since late 2023, as the market embraced a higher-for-longer narrative regarding interest rates and inflation remaining above the US Fed's long-term target.

The ECB left interest rates unchanged and continued to signal June as an appropriate time to cut them. However, European government bond yields still rose over the month (the German 10-year Bund yield rose to 2.58%). The market reacted positively to news that rating agencies Moody's and Fitch had kept France's sovereign ratings unchanged contrary to speculation of a potential downgrade.

The BoE didn't meet in April, but Governor Andrew Bailey appeared optimistic on the progress of inflation, noting evidence of easing. While still indicating a disinflationary trend, the latest data for March was higher than expected. This led to the UK 10-year gilt yield rising to 4.35%.

Cumulative Performance and Annualised Volatility as at 30/04/2024

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	-2.10	-7.96	-4.01	6.73
UK Equities	7.50	23.94	30.07	14.34
US Equities	22.56	37.60	88.68	14.10
European Equities	8.09	20.36	48.20	14.59
Japan Equities	19.69	19.10	42.02	12.36
Asia Equities	10.46	3.99	40.62	16.17
China Equities	-11.88	-25.78	-0.51	17.06
Emerging Market Equities	10.30	-7.23	14.31	14.52
Global Equities	18.84	30.31	71.17	13.44

Data source FE Analytics 30/04/2024. 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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