

MARKET CHRONICLES

April 2024



"We're facing a transformative economic landscape. Central banks are poised to maintain high interest rates, while growth and inflation diverge globally. An election super cycle looms amidst significant geopolitical risks, and disruptive technology and sustainability are reshaping industries. The resilience we've honed will be vital, as we confront growth volatility, higher capital costs and geopolitical instability. Strategic foresight and adaptability will be key in navigating this challenging environment."

- Narendra Babu, Senior Director, Financial Marketing Services

Global Markets

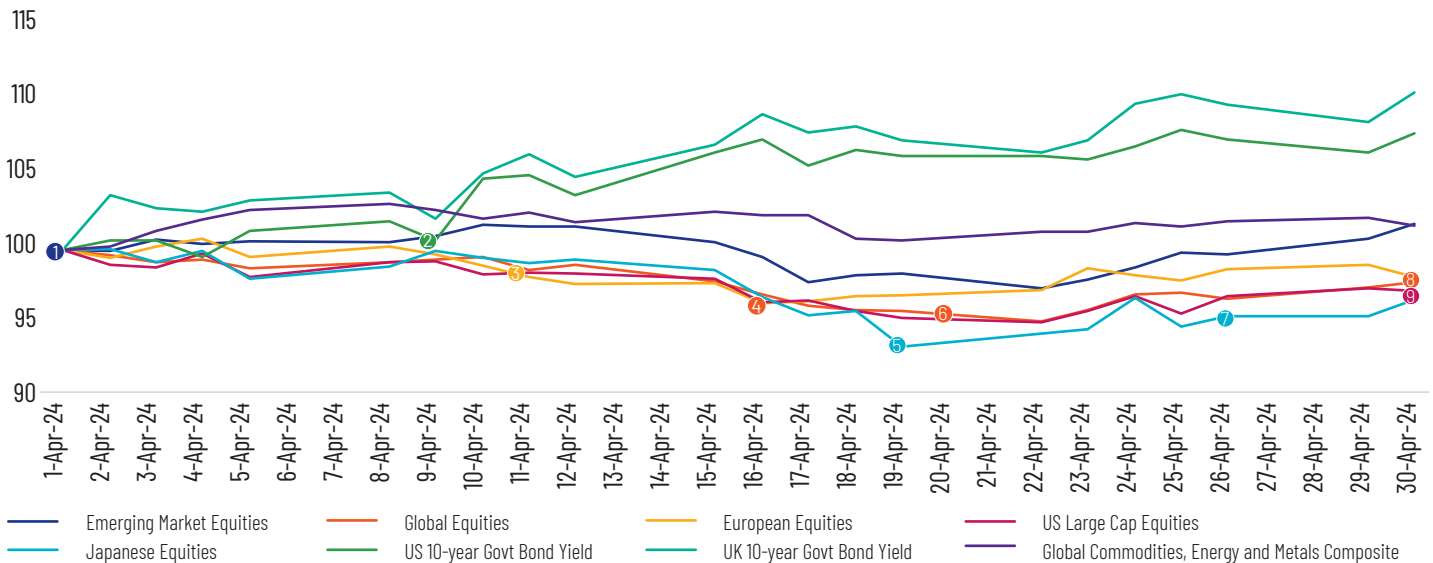
Global Equity Markets -4.1%

US Large Cap Equities -3.7%

Global Bonds -2.5%

*All performances are in USD

Global Index Performance



Please note that the chart is intended for illustrative purposes only and should not be used for precise performance measurement. All performance data has been normalized to a baseline value of 100 for comparative ease.

- 1 April: Turkey's main opposition party claims big election victories in main cities.
- 9 April: Nasdaq rebounds, as Treasury yields retreat and gold hits a record high.
- 11 April: The European Central Bank keeps interest rates unchanged.
- 16 April: Vladimir Putin tells Israel to pull back from a catastrophic clash.
- 19 April: Nikkei surges on good corporate earnings.
- 20 April: The UK announces its slowest CPI growth in two and a half years.
- 26 April: The Japanese yen hits a 25-year record high of JPY158.58/USD.
- 30 April: Annual inflation in the eurozone stands at 2.4% in April, unchanged from the previous month.
- 30 April: Federal Open Market Committee April meeting begins.

Top Performing Asset Class:

Commodities ↑ 2.7%

Commodities performed the best in April as higher prices in industrial metals and precious metals offsetting modest price falls in all other components of the index.



Worst Performing Asset Class:

Global REITs ↓ 6.4%

Global REITs had a difficult month as the worsening real estate crisis and in China and the changing interest rate environment deeply affected performance.

Equity

Global equity markets faced a downturn amid mixed signals from the US Federal Reserve (Fed), hinting at potential stagflation, alongside escalating tensions in the Middle East, particularly between Iran and Israel. Despite these tensions, the US Large Cap Equities rebounded slightly amidst the busiest week of first-quarter earnings reporting, with earnings anticipated to have risen 3.7%, albeit failing to lift sentiment. The US housing market weakened, with existing home sales dropping and mortgage rates surpassing 7% for the first time since December. In the eurozone, equities declined, as geopolitical tensions in the Middle East soured investor confidence despite inflation returning to targeted levels. Although Europe's growth momentum improved, it lagged behind that of the US, prompting the European Central Bank (ECB) to cut rates ahead of the Fed. In Japan, stock markets suffered losses during the month. The Bank of Japan abandoned its negative interest rate policy in a bid to combat deflation. Meanwhile, Japan's Manufacturing PMI showed signs of improvement, although real wages continued to decline. Emerging markets experienced volatility, initially rising before reversing gains, owing to China's economic growth report indicating potential downturns despite faster-than-expected expansion in the first quarter. Argentina's central bank cut its benchmark interest rate to 70% to curb rampant inflation, while Turkey's local elections yielded surprising results, affecting investor sentiment.

Fixed Income

In April, global bonds declined. Despite this drop, the Fed maintained its policy rates without any adjustments. However, market expectations regarding interest rate cuts shifted rapidly during this period. The Fed chose to keep interest rates steady for the sixth consecutive meeting in April. In terms of yields, the yield on the 10-year US Treasury note increased to 4.69% by the end of April. Simultaneously, the yield on its 2-year bond rose to 5.04%. Consequently, the 10-/2-year yield spread widened over the course of the month. Corporate investment-grade and high-yield bonds delivered slightly negative returns. Credit spreads modestly increased.

Eurozone government bond yields reached multi-month highs in April. Key economic indicators favoured the ECB's restrictive monetary policy stance, with inflation remaining stable at 2.4%, while core inflation eased slightly to 2.7% from the previous month's 2.9%. The eurozone economy rebounded, with 0.3% QoQ growth in Q1 2024, with business activities, especially in the services industry, exhibiting signs of recovery. ECB President Christine Lagarde emphasised a data-dependent approach for future rate decisions.

Commodities

Overall, global commodity prices increased, driven by gains in metals and agricultural components. However, the energy sector made only a modest contribution to these returns. The surge in crude oil futures was partly offset by a decrease in natural gas prices, owing to low demand and excess supply in the US. Tea and Coffee futures surged during the month, which were influenced by adverse climatic conditions in producer regions. Additionally, wheat futures rose, driven by unfavourable weather conditions and supply concerns from key producers. In the realm of industrial metals, copper futures led the way with substantial gains. Long-term demand for copper played a role, while the closure of the largest mine in Panama affected the supply chain. Furthermore, silver and gold futures rose significantly, as investors sought safe-haven assets amidst geopolitical tensions in the Middle East and uncertainty surrounding Fed rate cuts.

Central Bank Quotes



Sustainable and stable achievement of our 2% inflation target is coming into sight. The possibility of achievement is expected to increasingly heighten

- Kazuo Ueda, Governor, Bank of Japan

We just need to build a bit more confidence in this disinflationary process, but, if it moves according to our expectations, if we don't have a major shock in development, we are heading towards a moment where we have to moderate the restrictive monetary policy'

- Christine Lagarde, President, European Central Bank



Market Indices

2018	2019	2020	2021	2022	2023	YTD	Apr '24
US Large Cap Equities -4.4%	US Large Cap Equities 31.5%	Asian Equities Ex-Japan 25.4%	US Large Cap Equities 28.7%	UK Equities 0.3%	Japanese Equities 28.3%	Japanese Equities 17.1%	UK Equities 2.5%
UK Equities -9.5%	European Equities Ex-UK 27.5%	Emerging Market Equities 18.7%	European Equities Ex-UK 24.4%	Japanese Equities -2.5%	US Large Cap Equities 26.3%	European Equities Ex-UK 8.0%	Asian Equities Ex-Japan 1.3%
European Equities Ex-UK -10.6%	UK Equities 19.2	US Large Cap Equities 18.4%	UK Equities 18.3%	European Equities Ex-UK -12.2	European Equities Ex-UK 17.3%	UK Equities 6.1%	Emerging Market Equities 0.5%
Asian Equities Ex-Japan 14.1%	Emerging Market Equities 18.9%	Japanese Equities 7.4%	Japanese Equities 12.7%	US Large Cap Equities -18.1%	Emerging Market Equities 10.3%	US Large Cap Equities 6.0%	Japanese Equities -0.9%
Emerging Market Equities -14.2%	Asian Equities Ex-Japan 18.5%	European Equities Ex-UK 2.1%	Emerging Market Equities -2.2	Asian Equities Ex-Japan -19.4%	UK Equities 7.9%	Asian Equities Ex-Japan 3.7%	European Equities Ex-UK -1.5%
Japanese Equities -16.0%	Japanese Equities 18.1%	UK Equities -9.8%	Asian Equities Ex-Japan -4.5%	Emerging Market Equities -19.7%	Asian Equities Ex-Japan 6.3%	Emerging Market Equities 2.9%	US Large Cap Equities -4.1%

In case you missed it

1. <https://www.acuitykp.com/blog/investment-analysis-playbook-for-efficient-portfolios/>

2. <https://www.acuitykp.com/blog/findings-on-fund-commentaries-of-asset-managers-1q-2024/>

3. <https://www.acuitykp.com/blog/chinas-real-estate-market/>

4. <https://www.acuitykp.com/blog/how-esg-lending-creates-a-win-win/>

What's ahead

May 29, 2024

ECB Financial stability review meeting

June 6, 2024

Eurozone – ECB monetary policy meeting

June 11, 2024

UK – Unemployment Rate

June 12, 2024

US – FOMC Meeting

June 14, 2024

Japan – BoJ Interest Rate Decision

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