WEEKLY MARKET COMMENTARY

Week ending 5 April 2024

Welcome to our weekly market update. Our focus is on providing clear, concise insights into stock and bond market movements and the broader economic landscape.

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This week's highlights

- **Global tensions continued to affect markets:** S&P 500 down over last two weeks.
- **Interest rate cuts:** Could Eurozone now move before US?
- **Gold and oil up:** Upward trends seen across key commodities.

Market review

Markets lumbered their way towards Easter with volumes low and price action muted. However, after the long-weekend they moved in to negative territory (S&P 500 down c.1.5% over the fortnight), with Middle East tensions, higher commodity prices and cautious messages from the Fed some of the likely factors. Government bonds yields were higher (US 10-year up to 4.3%) on the back of resilient US economic data suggesting interest rate cuts may need to be delayed.

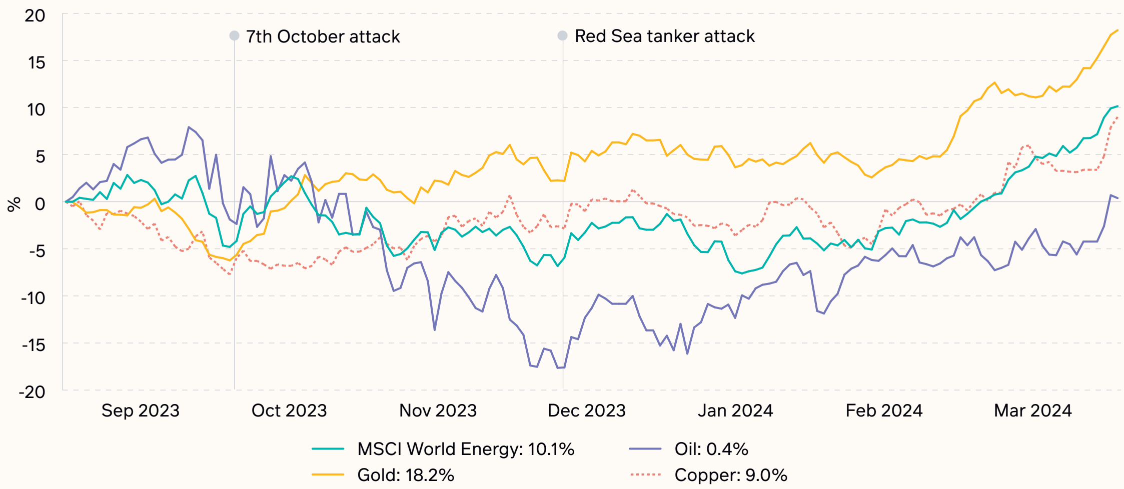
Federal Reserve Chair Jerome Powell stated latest US inflation data was 'along the lines' of what they hoped to see, it none-the-less remains sticky. February's Core Personal Consumption Expenditure was 0.3% MoM, or 2.8% YoY, with upward revisions to December and January. The trend is importantly lower, with prices in core services appearing to ease up. European inflation for March was 2.4%, down from 2.6% the month before, ahead of expectations and encouraging the market further that the European Central Bank (ECB) really could begin cutting interest rates ahead of the Fed. As Jerome Powell concluded recent readings have been stronger than expected, but if the US economy "evolves broadly as we expect" a lower policy rate will be appropriate "at some point this year". Time and data will likely narrate this story and the market still thinks there will be a rate cut before the summer break. Elsewhere, encouraging manufacturing data came out of China, with the March survey data suggesting it has re-entered growth territory for the first time in six months. European Purchasing Managers' Index (PMI) data was also broadly positive or improving.

Outlook

This remains fairly consistent with previous weeks. As we continue to see growing evidence of softening prices, central banks may be in a position to ease monetary policy in the second half of 2024. But employment, activity and inflation data over the next few months will be critical to the evolution of their thinking. The US economy continues to look strong. However, other regions, including the Eurozone, face more challenging conditions which could lead to diverging rate cutting cycles and opportunities in relative value trades.

Chart of the week

Oil and gold prices on upward trajectory
Oil prices hit a 6-month high this week (+15% YTD). Since December, they've risen steadily in the face of continued supply restrictions, increased tanker attacks in the Middle East, global demand beating expectations and interest rate cuts being pushed out. Gold prices have also remained elevated and their link to heightened geopolitical risks is clear as they've moved consistently higher following the attacks in Israel on the 7th October. Copper prices, which tend to move in tandem with global growth and demand, have also been trending upwards. Energy equity prices have also been tracking upwards. It does appear these trend are partly linked to the worsening situation in the Middle East, but the resilient economic data mentioned earlier will also be a factor.



What this means for you

It continues to be the same themes impacting markets as we've seen since the start of the year. There's continued expectations that interest rates will be cut in key global economies, but when they'll happen still unclear. So, the value of maintaining a well-diversified, long-term thinking to your investment approach rather than reacting to market swings remains a key message. By staying committed to carefully considered plans, investors can navigate through periods of volatility and uncertainty.

Need help?

If you have any questions in relation to this document, please discuss them with your financial adviser.

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