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APRIL 2024 MARKET REPORT

Economic commentary

In April, we learned that consumer prices in the UK rose by 3.2% in the 12 months to March 2024, down from 3.4% in February. This news was welcome for The Bank of England (BoE), which has kept interest rates higher in an effort to steer inflation down towards its 2% target. High interest rates in the UK have led to higher borrowing costs for households, notably through mortgage rates, which have risen sharply from low levels seen for much of the last decade. c.1.6 million households whose fixed-rate mortgages end in 2024 face higher mortgage costs.

The Federal Reserve (the Fed) in the US and the European Central Bank (ECB) both share the same long-term inflation target of 2%. Interest rates were left unchanged at a range of 5.25% to 5.50% by the Fed at its most recent policy meeting, where they suggested that the prospects of rate cuts this year had diminished due to inflation remaining above 3%. A similar outcome was seen in Europe as the ECB left its interest rate for deposits unchanged at 4.00%, although inflation is falling faster there, so interest rate cuts may come sooner.

Differences in interest rates between Japan (lower rates) and other developed countries (higher rates) encouraged investors to move money overseas in search of better returns, causing the Japanese yen to fall sharply in value to a 34-year low versus the US dollar. BoJ Governor Kazuo Ueda mentioned that inflation levels are being closely monitored; if inflation increases too quickly due to the weak currency making imports more expensive, then interest rates could be increased as a counterbalance. Question marks over whether the BoJ has been buying its own currency to support the price has contributed to investors' uncertainty.

Market commentary

April was a generally challenging month for stock markets in developed countries, perhaps because of worries about inflation, interest rates, global tensions, supply chain issues, and disappointing corporate earnings. These concerns made investors nervous, resulting in volatile and declining stock prices. The 'Magnificent 7' – the nickname for the seven largest American technology companies – saw mixed performance this month, having enjoyed a period of rapid and probably unjustified gains. Meta Platforms (formerly Facebook) struggled due to privacy and regulatory concerns, and Tesla faced challenges around production delays and supply chain issues. Japanese stocks lost some of their recent gains as the weakening yen raised concerns about the possibility of higher inflation hurting Japan's economy. The UK was a rare bright spot (in part due to the high representation of energy and commodity companies, which did well), ending the month as a top-performing market.

Despite difficulties for developed markets, emerging market stocks performed comparatively well, buoyed by several factors such as better Chinese economic data, commodity-exporting countries benefiting from favourable commodity prices, improved investor sentiment towards riskier assets, and a weaker US dollar.

The bond market – which represents loans to governments and companies around the world – performed poorly in April due to concerns surrounding rising inflation and high interest rates, which led to increased selling pressure on bonds as cash deposits looked increasingly attractive as a lower-risk alternative.

There has been a great deal of volatility in markets over recent months. We have observed changes in economic data on a short-term basis, but long-term trends have remained quite stable. We find that most investors behave according to their future expectations rather than reality today, even though many economic forecasts are proved wrong. This is why we do not make these sorts of predictions nor try to invest on this basis. Our strategy revolves around identifying undervalued assets, steering clear of overly risky ones, and maintaining a long-term perspective, as we believe it will yield more favourable returns.

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	1m	3m	6m	YTD	1yr	3y pa	5y pa	10y pa
Equity Markets (£)								
UK	2.5%	7.5%	14.2%	6.1%	7.5%	7.5%	5.4%	5.9%
US	-3.3%	5.9%	17.0%	7.8%	22.5%	11.2%	13.2%	15.1%
Global	-2.8%	5.4%	16.5%	6.7%	18.8%	9.2%	11.3%	12.0%
Emerging Markets	1.6%	9.5%	11.1%	4.4%	9.2%	-3.1%	2.1%	5.5%
Europe ex UK	-2.0%	4.4%	16.3%	5.0%	8.5%	7.2%	8.8%	8.3%
Japan	-3.9%	2.5%	14.6%	6.6%	17.9%	5.5%	6.5%	9.3%
China	6.3%	16.5%	-0.5%	4.6%	-8.8%	-15.5%	-5.5%	4.5%
UK Smaller Companies	0.6%	2.9%	20.1%	1.2%	6.6%	-4.6%	0.1%	4.0%
Bonds (£)								
Sterling Corporate Bonds	-1.2%	-0.4%	4.4%	-1.8%	3.5%	-4.2%	-1.1%	1.8%
Global High Yield (Hedged)	-3.3%	-2.5%	4.4%	-2.7%	5.2%	0.0%	1.6%	2.4%
Global Bonds (Hedged)	-1.9%	-1.9%	4.7%	-2.2%	0.6%	-3.6%	-0.9%	1.0%
Other (£)								
Global Listed Property	-5.1%	-1.6%	8.9%	-6.4%	-0.6%	-1.9%	-0.4%	
UK Listed Property	-3.0%	-2.3%	16.4%	-5.7%	-1.2%	-5.9%	-2.6%	0.6%
Physical Gold	4.5%	13.7%	11.8%	13.1%	15.8%	12.7%	13.1%	8.9%

Economic Data	At date	3m ago	6m ago	1y ago	3y ago	5y ago	10y ago
Sterling/Dollar Rate	$1.25	$1.27	$1.21	$1.26	$1.38	$1.30	$1.69
Bank of England Base Rate	5.25%	5.25%	5.25%	4.25%	0.10%	0.75%	0.50%
UK CPI YoY		4.0%	4.6%	8.7%	1.5%	2.1%	1.8%
US Unemployment Rate	3.9%	3.7%	3.8%	3.4%	6.1%	3.7%	6.2%
UK Unemployment Rate		4.2%	3.9%	4.0%	5.0%	3.9%	6.5%

Bond yields	At date	3m ago	6m ago	1y ago	3y ago	5y ago	10y ago
UK 10-Year Gilt Yield	4.4%	3.9%	4.5%	3.7%	0.9%	1.2%	2.7%
UK Corporate Bond Yield	5.8%	5.4%	6.4%	5.7%	1.8%	2.6%	3.8%

Data Sources: Data is at 30/04/2024. For the above asset class return data, we used passive funds to represent market returns, given that they represent an investible net-of-fee return achievable by an end client. Economic figures like unemployment and CPI rates may not have been available for latest month-end at the time of publication. All returns have been calculated by Fundhouse, with reference to data from Refinitiv, Morningstar and the Bank of England. This content cannot be distributed without the consent of Fundhouse.

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