

MAY 2024 MARKET REPORT

Economic commentary

In May, we learned that consumer prices in the UK rose by 2.3% in the 12 months to April 2024, down from 3.2% in March. The latest figures are encouraging as they show that inflation is nearing the Bank of England's (BoE) 2% target – Prime Minister Rishi Sunak even called for a general election following the news. However, the BoE remains cautious because data shows that prices are still rising quickly in service sectors such as healthcare and hospitality. Furthermore, the drop in the overall inflation rate was materially due to a fall in energy prices, which can be volatile. This data was not positive enough to encourage the BoE to lower interest rates from 5.25% at its monetary policy meeting on 8th May, as it tried to balance the need for lower inflation with the interests of households and businesses that want lower rates to borrow and invest.

Sentiment elsewhere improved in May, too. The European Central Bank suggested it had a high degree of confidence that rates would be cut at its next meeting in June (which it has now done) due to slowing inflation over the last few months, supported by data showing that the eurozone came out of recession in the first quarter of 2024. The US saw improvements in inflation data, too, but Federal Reserve committee members still voted unanimously to keep interest rates unchanged at 5.25%-5.5%, cautious that more progress is needed.

Market commentary

May was a good month for stock markets in many developed regions. Ongoing investor optimism about an improving economic outlook and better-than-expected first-quarter corporate profit announcements provided support to stocks across Europe, the UK, and the US. In the US, the tech sector performed very well, contributing greatly to a rebound following a poorer April.

Other regions had a tougher time. Japanese stocks performed poorly. The Japanese yen has been weak because Japan's interest rates are much lower than those in other countries, encouraging investors to move money overseas in search of better returns, which has hurt consumer confidence. Emerging market stocks faced challenges too – despite some positive economic data, Chinese domestic demand levels remain low.

The bond market – which represents loans to governments and companies around the world – performed well in May. Investors are expecting interest rate cuts this summer, which can create a favourable environment for bonds, leading to increased demand and higher prices. Oil prices fell sharply in May after peaking in April, reaching near four-month lows as OPEC+ (Organization of the Petroleum Exporting Countries and its allies) decided to increase oil output.

In recent months, markets have been quite volatile. While there have been some fluctuations in economic data, the long-term trends remain largely unchanged. This is why we prefer not to make any large macroeconomic bets nor try to invest on this basis. We are consistent with our strategy, which centres 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.

	1m	3m	6m	YTD	1yr	3y pa	5y pa	10y pa
Equity Markets (£)								
UK	1.9%	9.4%	13.0%	8.1%	14.8%	7.7%	6.5%	5.9%
US	3.2%	3.1%	15.4%	11.2%	24.2%	13.1%	14.7%	15.1%
Global	2.8%	3.1%	14.2%	9.7%	21.5%	10.6%	12.5%	12.0%
Emerging Markets	-1.2%	2.7%	6.2%	3.2%	8.4%	-3.4%	2.7%	5.0%
Europe ex UK	3.3%	5.0%	13.0%	8.4%	16.9%	7.5%	9.9%	8.4%
Japan	-0.4%	-1.1%	10.3%	6.2%	14.7%	5.9%	6.6%	8.8%
China	2.9%	11.7%	4.7%	7.7%	2.1%	-13.9%	-3.0%	4.3%
UK Smaller Companies	5.9%	11.5%	15.3%	7.2%	15.4%	-3.0%	2.2%	4.6%
Bonds (£)								
Sterling Corporate Bonds	0.0%	0.7%	1.9%	-1.8%	5.6%	-4.3%	-1.4%	1.7%
Global High Yield (Hedged)	1.1%	1.4%	4.7%	1.3%	10.1%	1.2%	2.7%	2.7%
Global Bonds (Hedged)	0.9%	-0.1%	2.0%	-1.3%	2.1%	-3.3%	-0.9%	1.0%
Other (£)								
Global Listed Property	0.4%	-1.3%	3.1%	-6.1%	3.0%	-1.6%	-0.9%	
UK Listed Property	5.3%	9.7%	8.8%	-0.7%	10.7%	-5.0%	-0.9%	0.9%
Physical Gold	-0.2%	13.1%	13.6%	12.9%	14.9%	11.0%	12.0%	9.2%
Economic Data								
	At date	3m ago	6m ago	1y ago	3y ago	5y ago	10y ago	
Sterling/Dollar Rate	\$1.27	\$1.27	\$1.27	\$1.24	\$1.42	\$1.26	\$1.68	
Bank of England Base Rate	5.25%	5.25%	5.25%	4.50%	0.10%	0.75%	0.50%	
UK CPI YoY		3.4%	3.9%	8.7%	2.1%	2.0%	1.5%	
US Unemployment Rate		3.9%	3.7%	3.7%	5.8%	3.6%	6.3%	
UK Unemployment Rate		4.3%	3.8%	4.2%	4.8%	4.0%	6.3%	
Bond yields								
	At date	3m ago	6m ago	1y ago	3y ago	5y ago	10y ago	
UK 10-Year Gilt Yield	4.3%	4.1%	4.3%	4.2%	0.8%	0.9%	2.6%	
UK Corporate Bond Yield	5.7%	5.6%	5.9%	6.3%	1.8%	2.6%	3.7%	

Data Sources: Data is at 31/05/2024. 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.

FOR PROFESSIONAL INVESTORS ONLY

[END]

Fundhouse is the trading name of Fundhouse Bespoke Limited. Fundhouse provides investment management services to 2plan Wealth Management and does not provide financial advice. Importantly, this note does not represent investment advice and any reader should always speak to their financial adviser before making any investment decisions. Please note that the value of any investment may go down as well as up and you may lose capital when investing and the value of your investments may not always increase. Please ensure that you are comfortable bearing financial losses and that you are comfortable taking a long-term investment view of five years or more.

Fundhouse Bespoke (www.fundhouse.co.uk) is regulated by the FCA (786601) and is a company incorporated in England and Wales (10893119). 2plan Wealth Management Limited (www.2plan.com) is regulated by the FCA (461598) and is a company incorporated in England and Wales (05998270).