Monthly Market Commentary

March 2024

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Global equities reach new heights

Global stock markets hit record highs in February, as European, Japanese and US equity markets rallied. The revival in risk appetite is being fuelled by a trifecta of improving company earnings, easing inflation, and growing confidence that any recession will be shallow rather than severe.

While those sectors most vulnerable to the ebb and flow of the economy may yet face headwinds, the broad-based recovery in equity markets is a welcome development for investors.

Tech titans lead the charge

The rapid growth of the AI-powered internet has become an arms race, with NVIDIA emerging as the world leader. The Silicon Valley company has seen its revenues quadruple in just two years, while profits have surged eightfold. The entrenched giants of the digital world – Microsoft, Google, Amazon, Apple, and Meta – are all racing to bolster their AI capabilities, with NVIDIA and a select group of other firms emerging as the key beneficiaries of this spending spree. Investors have taken notice, with disciplined exposure to US equities providing a conduit to participate in this paradigm shift.

Central Banks poised to pivot

The question is no longer if central banks will begin to loosen monetary policy, but when. While the precise timing of rate cuts will depend on incoming economic data and is likely to be gradual at first, policymakers around the world are positioning to ease financial conditions in 2024.

China, Europe, and the UK, all facing economic fragility, may have the greatest impetus to act. Emerging markets appear best positioned to commence rate cutting cycles in the near term, with announcements anticipated in the coming months. Markets now expect the Federal Reserve to begin trimming rates by mid-year, with 3-4 cuts pencilled in for 2024

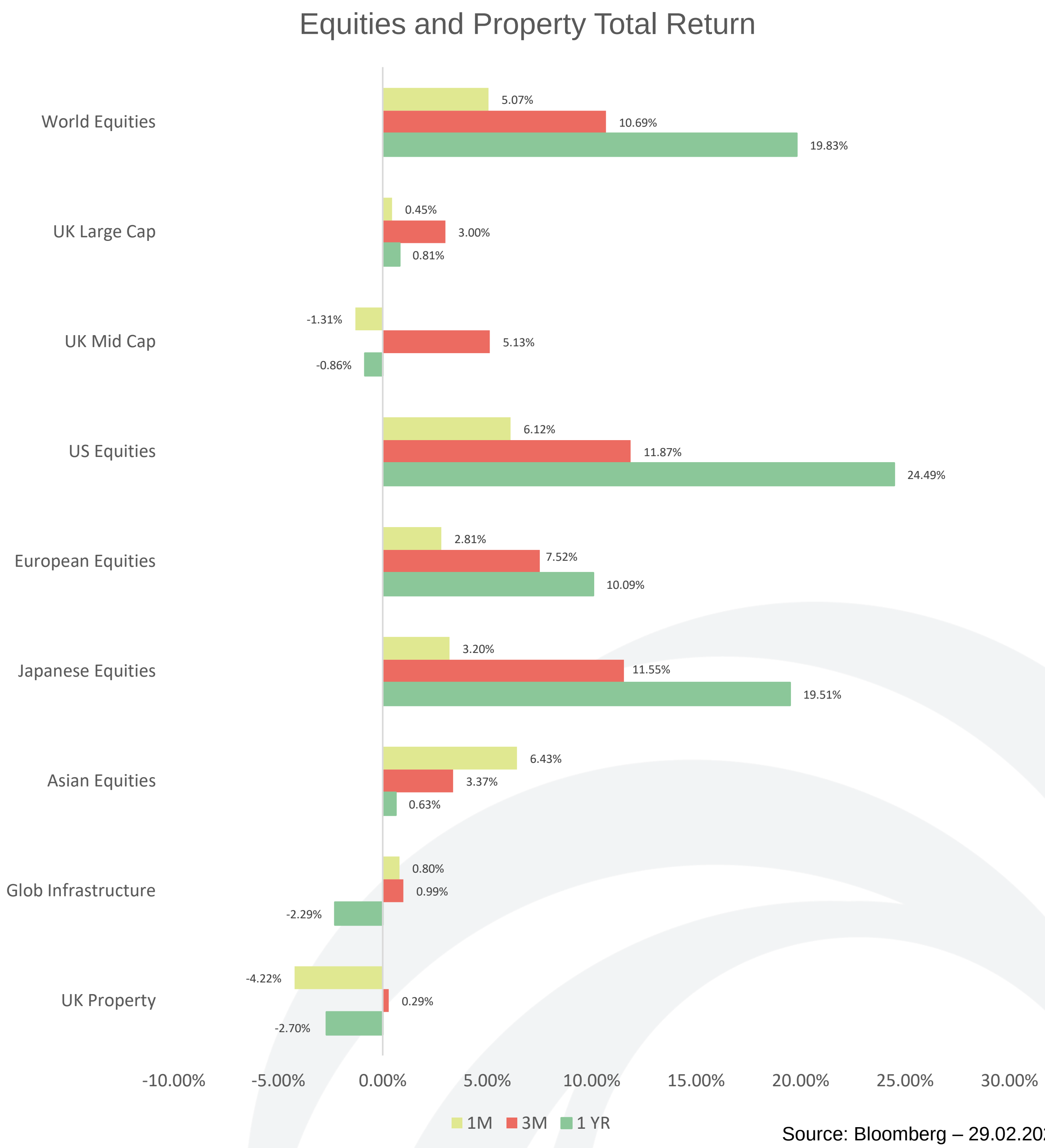
Portfolios continue to move in the right direction

Portfolios were up again in February, marking a strong start to the year. Returns have improved in recent months, and we anticipate continued progress in 2024.

We have broadened our asset allocation in our latest changes to portfolios by initiating positions in US and European smaller companies in higher-risk portfolios in recent weeks. Within fixed income we have chosen to reduce investment-grade corporate bonds in favour of high yield bonds.

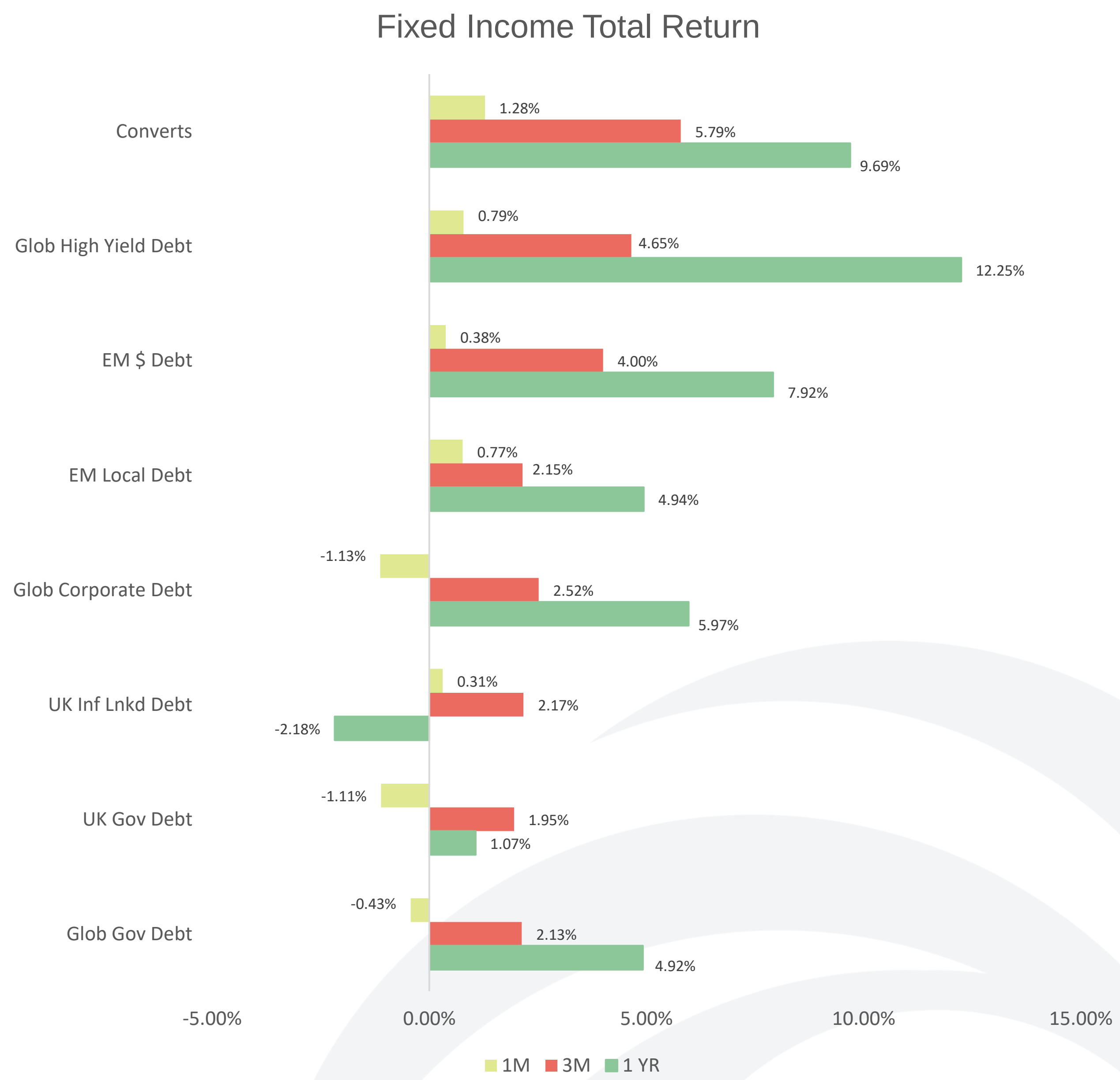
Investment grade corporate bonds rallied sharply at the end of 2023 and offer limited additional yield relative to government bonds. High yield bonds offer a greater opportunity for investors although they tend to be more volatile. The asset class could benefit if a shallow US recession comes to pass. As always, we remain mindful of incoming economic data and are prepared to act if the data warrants a shift in allocations.

Asset Class Performance:



Source: Bloomberg – 29.02.2024

Past performance is not a guide to future performance



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