

WEEKLY MARKET COMMENTARY

Week ending 19 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

- **Markets continue to fall back:** Global equities down 2% in week.
- **US economy remains strong:** Latest data hints at 'higher for longer' interest rates.
- **UK inflation cools:** Month-on-month figures down, but not as much as expected.

Market review

We continued to see markets generally fall back this week, with data and central bank rhetoric further supporting the shift towards 'higher for longer' interest rate views, particularly in the US. Investors have also been grappling with the increased risk of further escalation in the Middle East conflict. Global equities have bounced back slightly and now sit just over 2% down for the week. European indices have outperformed again, possibly assisted by recent Euro weakness (against the US Dollar's strength) and interest rate cuts looking a little more likely in the Eurozone sooner rather than later.

March US retail sales rose more than expected and employment data continues to paint the picture of a very healthy US economy. Multiple Fed speakers appeared to acknowledge this throughout the week and have mostly

been highlighting the need for a cautious approach to reducing interest rates. Chairman Powell warned that it was likely to take 'longer than expected' for inflation to return to their 2% target and market pricing now predicts that the first full cut will be around September. The 10-year US treasury yield is up around 0.1% week-to-date, at 4.61%.

UK inflation cooled in March, but the drop in Consumer Price Index was slightly less than anticipated, with headline coming in at 3.2% (vs. 3.4% in Feb and 3.1% expected) and core at 4.2% (vs. 4.5% in Feb, and 4.1% expected). Services inflation, which can be heavily influenced by wages, remains high at 6% and annual wage growth data also came down slower than expected. All of this has made traders and economists a little more cautious about the likely pace of Bank of England base rate cuts too.

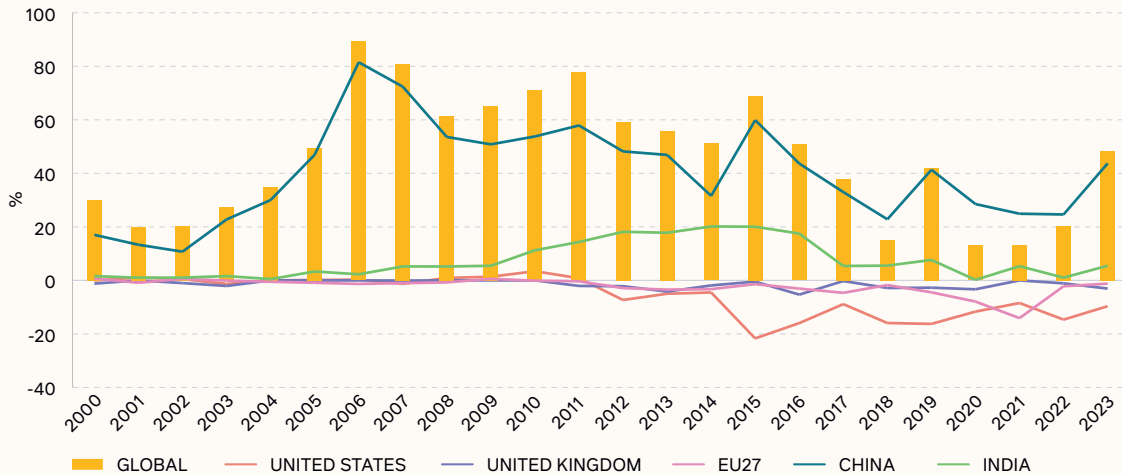
Outlook

We continue to expect central banks to be in a position to ease monetary policy in the second half of 2024 but as always, employment, activity and inflation data over the next few months will be critical to the evolution of their thinking. It's a similar story to last week with major economies. The US continues to look strong, but other regions, including the Eurozone, facing more challenging conditions. Geopolitical developments could further impact investor sentiment and central bank actions, with potential knock-on effects for oil prices and inflation.

Chart of the week

Coal power capacity rises despite climate warnings

Since the adoption of the Paris Agreement (an international treaty set in 2015 covering climate change mitigation, adaptation and finance), the world's coal power operating capacity has grown 11% and global coal use reached an all-time high last year. This was driven by a surge of new coal plants in China and reductions in the US and Europe lower compared to previous years. The global narrative is still being influenced by India and China, the largest consumers globally accounting for 82% of total pre-construction capacity worldwide.



Source: Global Energy Monitor and ESG&R (M&G Investment Office) 19/04/2024

What this means for you

This week we've seen many different elements impact market sentiment and performance. Strong retail and employment data in the US, cooling (but not as much as expected) inflation in UK, currency strengths and heightening global tensions amongst others all playing a role. So, this gives more evidence to the importance

of maintaining a well-diversified, long-term thinking to your investment approach rather than reacting to market swings. 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.

