

Monthly Market Review

Review of markets over April 2024

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April was a tough month for both equity and fixed income markets. A combination of hot US inflation data and a first quarter US GDP print that while weak on first-glance, showed resilient private demand, fuelled market fears that central banks will not ease monetary policy as quickly as previously hoped. Both stock and bond markets responded negatively with global bonds falling 2.5% over the month while developed market equities fell 3.7%. Conversely, higher commodity exposure and increased investor interest in low valued Chinese equities helped emerging market equities deliver positive returns of 0.5% over the month.

Exhibit 1: Asset class and style returns

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Apr '24
Small cap	32.9%	Global REITS 22.9%	Growth 3.5%	Small cap 13.3%	MSCI EM 37.8%	Global Agg -1.2%	Growth 34.1%	Growth 34.2%	Global REITS 32.6%	Cmdty 16.1%	Growth 37.3%	Growth 5.9%	Cmdty 2.7%
Value	27.5%	Growth 6.5%	Global REITS 0.6%	Value 13.2%	Growth 28.5%	Global REITS -4.9%	DM Equities 28.4%	MSCI EM 18.7%	Cmdty 27.1%	Value -5.8%	DM Equities 24.4%	DM Equities 5.0%	MSCI EM 0.5%
DM Equities	27.4%	DM Equities 5.5%	Small cap 0.1%	Cmdty 11.8%	Small cap 23.2%	Growth -6.4%	Small cap 26.8%	DM Equities 16.5%	Value 22.8%	Global Agg -16.2%	Small cap 16.3%	Cmdty 4.9%	Global Agg -2.5%
Growth	27.2%	Value 4.4%	DM Equities -0.3%	MSCI EM 11.6%	DM Equities 23.1%	DM Equities -8.2%	Global REITS 24.4%	Small cap 16.5%	DM Equities 22.3%	DM Equities -17.7%	Value 12.4%	Value 4.1%	Value -3.3%
Global REITS	2.3%	Small cap 2.3%	Global Agg -3.2%	DM Equities 8.2%	Value 18.0%	Value -10.1%	Value 22.7%	Global Agg 9.2%	Growth 21.4%	Small cap -18.4%	Global REITS 10.9%	MSCI EM 2.9%	DM Equities -3.7%
MSCI EM	-2.3%	Global Agg 0.6%	Value -4.1%	Global REITS 6.5%	Global REITS 8.0%	Cmdty -11.2%	MSCI EM 18.9%	Value -0.4%	Small cap 16.2%	MSCI EM -19.7%	MSCI EM 10.3%	Small cap -0.9%	Growth -4.0%
Global Agg	-2.6%	MSCI EM -1.8%	MSCI EM -14.6%	Growth 3.2%	Global Agg 7.4%	Small cap -13.5%	Cmdty 7.7%	Cmdty -3.1%	MSCI EM -2.2%	Global REITS -23.7%	Global Agg 5.7%	Global Agg -4.6%	Small cap -5.1%
Cmdty	-9.5%	Cmdty -17.0%	Cmdty -24.7%	Global Agg 2.1%	Cmdty 1.7%	MSCI EM -14.2%	Global Agg 6.8%	Global REITS -10.4%	Global Agg -4.7%	Growth -29.1%	Cmdty -7.9%	Global REITS -7.7%	Global REITS -6.3%

Source: Bloomberg Barclays, FTSE, LSEG Datastream, MSCI, J.P. Morgan Asset Management. DM Equities: MSCI World; REITS: FTSE NAREIT Global Real Estate Investment Trusts; Cmdty: Bloomberg Commodity Index; Global Agg: Bloomberg Global Aggregate; Growth: MSCI World Growth; Value: MSCI World Value; Small cap: MSCI World Small Cap. All indices are total return in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 30 April 2024.

The changing interest rate environment was particularly visible in interest rate-sensitive sectors, such as small caps and REITS. In April, small caps ended the month down 5.1% and REITS down 6.3%, both significantly behind the overall large-cap market return.

Fixed income markets also suffered from the change in rate expectations. In April alone, markets priced out one and a half rate cuts in the US this year and the timing of the first cut was pushed further out. 2-year Treasury yields rose 40 basis points (bps) to 5.0%, while 10-year Treasury yields rose 47bps to 4.7%.

A resilient economic environment and the danger of escalation in the Middle East boosted commodity prices. The Bloomberg Commodities Index increased 2.7% in April, ending the month as the top performing major asset class. A combination of rising energy prices, and lower interest rate sensitivity also supported the value segment of the equity market, which outperformed the growth segment on a relative basis.

Exhibit 2: World stock market returns

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Apr '24
Japan TOPIX 54.4%	US S&P 500 13.7%	Japan TOPIX 12.1%	UK FTSE All-Share 16.8%	MSCI Asia ex-Japan 42.1%	US S&P 500 -4.4%	US S&P 500 31.5%	MSCI Asia ex-Japan 25.4%	US S&P 500 28.7%	UK FTSE All-Share 0.3%	Japan TOPIX 28.3%	Japan TOPIX 17.1%	UK FTSE All-Share 2.5%
US S&P 500 32.4%	Japan TOPIX 10.3%	MSCI Europe ex-UK 9.1%	US S&P 500 12.0%	MSCI EM 37.8%	UK FTSE All-Share -9.5%	MSCI Europe ex-UK 27.5%	MSCI EM 18.7%	MSCI Europe ex-UK 24.4%	Japan TOPIX -2.5%	US S&P 500 26.3%	MSCI Europe ex-UK 8.0%	MSCI Asia ex-Japan 1.3%
MSCI Europe ex-UK 24.2%	MSCI Europe ex-UK 7.4%	US S&P 500 1.4%	MSCI EM 11.6%	Japan TOPIX 22.2%	MSCI Europe ex-UK -10.6%	UK FTSE All-Share 19.2%	US S&P 500 18.4%	UK FTSE All-Share 18.3%	MSCI Europe ex-UK -12.2%	MSCI Europe ex-UK 17.3%	UK FTSE All-Share 6.1%	MSCI EM 0.5%
UK FTSE All-Share 20.8%	MSCI Asia ex-Japan 5.1%	UK FTSE All-Share 1.0%	MSCI Asia ex-Japan 5.8%	US S&P 500 21.8%	MSCI Asia ex-Japan -14.1%	MSCI EM 18.9%	Japan TOPIX 7.4%	Japan TOPIX 12.7%	US S&P 500 -18.1%	MSCI EM 10.3%	US S&P 500 6.0%	Japan TOPIX -0.9%
MSCI Asia ex-Japan 3.3%	UK FTSE All-Share 1.2%	MSCI Asia ex-Japan -8.9%	MSCI Europe ex-UK 3.2%	MSCI Europe ex-UK 14.5%	MSCI EM -14.2%	MSCI Asia ex-Japan 18.5%	MSCI Europe ex-UK 2.1%	MSCI EM -2.2%	MSCI Asia ex-Japan -19.4%	UK FTSE All-Share 7.9%	MSCI Asia ex-Japan 3.7%	MSCI Europe ex-UK -1.5%
MSCI EM -2.3%	MSCI EM -1.8%	MSCI EM -14.6%	Japan TOPIX 0.3%	UK FTSE All-Share 13.1%	Japan TOPIX -16.0%	Japan TOPIX 18.1%	UK FTSE All-Share -9.8%	MSCI Asia ex-Japan -4.5%	MSCI EM -19.7%	MSCI Asia ex-Japan 6.3%	MSCI EM 2.9%	US S&P 500 -4.1%

Source: FTSE, LSEG Datastream, MSCI, S&P Global, TOPIX, J.P. Morgan Asset Management. All indices are total return in local currency, except for MSCI Asia ex-Japan and MSCI EM, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 30 April 2024.

In a difficult month for the asset class, European equities outperformed their US counterparts. The eurozone's flash composite PMI (purchasing managers' index) rose to 51.4 in April, significantly above the December recessionary level of 47.6, while the UK's composite PMI rose to an expansive 54. Improved growth prospects and inflation dynamics in the region were able to partially compensate for the headwinds of higher for longer interest rates and geopolitical risks.

The MSCI Europe ex-UK Index fell by only 1.5% in April, while UK equities, supported by the high share of energy and commodity companies, delivered positive total returns of 2.5% and ended the month as the top performing equity market.

The S&P 500 fell 4.1% over the month as valuations came under pressure from rising bond yields. The economic backdrop remains supportive to corporate earnings and the first quarter earnings season has seen companies broadly beat expectations, albeit against a low bar. Markets were, however, more willing than usual to punish companies that missed estimates as investors looked to see if earnings justified the last six months of valuation expansion.

Japanese equities gave up some of the gains that they had made over the last five months. Widening interest rate differentials between Japan and other developed market countries put downward pressure on the yen and increased investor concerns about the risk of imported inflation weakening domestic demand.

Exhibit 3: Fixed income sector returns

2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Apr '24
Euro Gov. 1.6%	US HY 17.5%	EM Debt 9.3%	Euro Gov. 1.0%	EM Debt 14.4%	Global IL 12.7%	US HY 5.3%	US HY -11.2%	US HY 13.5%	Euro HY 1.6%	Euro HY 0.0%
EM Debt 1.2%	EM Debt 10.2%	Global IG 9.1%	US Treas. 0.9%	US HY 14.4%	Global IG 10.4%	Euro HY 3.4%	Euro HY -11.7%	Euro HY 11.9%	US HY 0.5%	US HY -1.0%
US Treas. 0.8%	Euro HY 10.1%	Global IL 8.7%	US HY -2.3%	Global IG 11.5%	US Treas. 8.0%	Global IL 2.7%	US Treas. -12.5%	EM Debt 10.5%	EM Debt -0.6%	Euro Gov. -1.4%
Euro HY 0.5%	Global IG 4.3%	US HY 7.5%	Global IG -3.6%	Euro HY 10.7%	US HY 6.1%	EM Debt -1.5%	EM Debt -16.5%	Global IG 9.6%	Euro Gov. -2.0%	EM Debt -2.0%
Global IG -3.6%	Global IL 3.9%	Euro HY 6.1%	Euro HY -3.6%	Global IL 8.0%	EM Debt 5.9%	US Treas. -2.3%	Global IG -16.7%	Euro Gov. 7.1%	Global IG -3.0%	Global IG -2.3%
US HY -4.6%	Euro Gov. 3.2%	US Treas. 2.3%	Global IL -4.1%	US Treas. 6.9%	Euro Gov. 5.0%	Global IG -2.9%	Euro Gov. -18.5%	Global IL 5.8%	US Treas. -3.3%	US Treas. -2.3%
Global IL -5.0%	US Treas. 1.0%	Euro Gov. 0.2%	EM Debt -4.6%	Euro Gov. 6.8%	Euro HY 2.7%	Euro Gov. -3.5%	Global IL -22.9%	US Treas. 4.1%	Global IL -4.3%	Global IL -2.6%

Source: Bloomberg Barclays, BofA/Merrill Lynch, J.P. Morgan Economic Research, LSEG Datastream, J.P. Morgan Asset Management. Global IL: Bloomberg Global Inflation-Linked; Euro Gov.: Bloomberg Euro Aggregate - Government; US Treas: Bloomberg US Aggregate Government - Treasury; Global IG: Bloomberg Global Aggregate - Corporate; US HY: BofA/Merrill Lynch US HY Constrained; Euro HY: BofA/Merrill Lynch Euro Non-Financial HY Constrained; EM Debt: J.P. Morgan EMBIG. All indices are total return in local currency, except for EM and global indices, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 30 April 2024.

Eurozone inflation in April remained flat at 2.4% year on year, but the important services component fell 30bps to 3.7%. UK headline inflation also receded, although there are still concerns about the stickiness of some core components. A less inflationary environment, combined with the prospect of stable but slow growth in the euro area and UK, means that markets are more confident in the prospects for rate cuts from the European Central Bank (ECB) and Bank of England (BoE) than from the Federal Reserve. The first cut from the ECB is still expected over the summer though there are now only two cuts fully priced by year-end. The BoE is expected to cut a little later with the first cut now priced for September.

Exhibit 4: Fixed income government bond returns

2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Apr'24
Italy 4.8%	UK 10.7%	Global 7.5%	Spain 2.5%	Italy 10.6%	Global 9.7%	Japan -0.2%	Japan -5.4%	Italy 9.3%	Italy -0.2%	Spain -1.1%
Spain 1.7%	Spain 4.1%	US 2.3%	Germany 1.9%	Spain 8.3%	UK 8.9%	US -2.3%	US -12.5%	Spain 6.9%	Spain -1.3%	Italy -1.1%
Japan 1.2%	Germany 3.4%	UK 2.0%	Japan 1.0%	UK 7.1%	US 8.0%	Germany -2.9%	Global -16.8%	Germany 5.7%	Japan -1.8%	Japan -1.2%
US 0.8%	Japan 3.2%	Spain 1.1%	US 0.9%	US 6.9%	Italy 7.9%	Italy -3.0%	Italy -17.2%	Global 4.3%	Germany -2.7%	Germany -1.7%
UK 0.5%	Global 1.7%	Italy 0.8%	UK 0.5%	Global 5.6%	Spain 4.3%	Spain -3.0%	Germany -17.4%	US 4.1%	US -3.3%	US -2.3%
Germany 0.4%	US 1.0%	Japan 0.2%	Global -0.7%	Germany 3.1%	Germany 3.0%	UK -5.3%	Spain -17.5%	UK 3.6%	UK -4.9%	Global -2.6%
Global -3.7%	Italy 0.8%	Germany -1.0%	Italy -1.3%	Japan 1.7%	Japan -0.8%	Global -5.8%	UK -25.1%	Japan 0.5%	Global -5.2%	UK -3.2%

Source: Bloomberg Barclays, LSEG Datastream, J.P. Morgan Asset Management. All indices are Bloomberg Barclays benchmark government indices. All indices are total return in local currency, except for global, which is in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 30 April 2024.

A less pronounced rise in euro bond yields led to the region's outperformance. This trend was evident in credit markets, where spreads remained stable in April due to the constructive growth outlook and euro high yield was the only major sector to avoid negative returns. In sovereign bonds, euro sovereigns outperformed US Treasuries and UK Gilts. The relatively high-growth periphery in the eurozone also performed better than core Europe.

Exhibit 5: Index returns for April 2024

Index	GBP	USD	JPY	EUR	LOC
Equities (MSCI)					
MSCI World Index	-2.8	-3.7	0.2	-2.7	-3.2
MSCI USA	-3.3	-4.1	-0.3	-3.2	-4.1
MSCI Europe ex-UK	-1.9	-2.8	1.1	-1.8	-1.5
MSCI United Kingdom	2.8	1.9	5.9	2.9	2.8
MSCI Japan	-4.0	-4.9	-1.1	-3.9	-1.1
MSCI AC Asia ex-JP	2.2	1.3	5.3	2.3	2.1
MSCI EM Latin America	-2.6	-3.5	0.4	-2.5	-0.9
MSCI EM (Emerging Markets)	1.4	0.5	4.5	1.5	1.4
Bonds					
Bloomberg Barclays Global Aggregate	-1.7	-2.5	1.4	-1.5	
Bloomberg Barclays US Aggregate	-1.7	-2.5	1.4	-1.5	-2.5
Bloomberg Barclays Japan Aggregate	-4.0	-4.8	-1.0	-3.9	-1.0
Bloomberg Barclays UK Aggregate	-2.6	-3.4	0.4	-2.5	-2.6
Bloomberg Barclays Euro Aggregate	-1.4	-2.2	1.6	-1.3	-1.3
Currencies					
Sterling		-0.9	3.2	0.1	
US dollar	0.9		4.0	1.0	
Yen	-3.1	-3.8		-2.9	
Euro	-0.1	-1.0	2.9		

Source: Bloomberg Barclays, LSEG Datastream, MSCI, J.P. Morgan Asset Management. Past performance is not a reliable indicator of current and future results. Data as of 30 April 2024.

April highlighted that persistent inflation remains a key risk and has the potential to upset the rally in risk assets. In our opinion, it is therefore still important to consider both scenarios – recession and deflation, and persistent inflation – in the risk management of portfolios. High-quality bonds with medium to slightly longer maturities can again contribute to portfolio returns in the event of a deflationary growth shock. On the other hand, 2022 showed us that alternative investments such as infrastructure, and transport, provide the promise of good if inflation persists due to their low correlation with bond and equity markets.

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