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4 July
UK's General Election

Surprise announcement from UK's Prime Minister of a snap General Election in May.

$218 bn
Nvidia's market cap increase

Nvidia surged 9% after earnings release adding $218 billion to its market cap.

6.4%
Eurozone unemployment

Eurozone unemployment falls to lowest level since 1999.

May 2024

Market Spotlight

Around the world

- UK CPI eased less than expected, rising by 2.3% YoY, ahead of BoE's expectation, while core CPI barely dropped. Services inflation, remains the main issue for the BoE.
- Q1 earnings season is in its final stages, and so far, earnings surprised to the upside. US earnings grew at +5% YoY while European earnings declined by 8% YoY, but ahead of expectations. Nevertheless, earnings reported by S&P 500 firms excluding the Magnificent 7 came in below expectations at -2.0%.
- Gold prices rose to an all-time high supported by an increase in demand. A combination of factors such as Central Bank purchases and geopolitical tensions are keeping the price of gold elevated.
- ECB's indicator of negotiated wages accelerated to 4.7% YoY in Q4. The ECB is unconcerned by the elevated figure as they expect wage pressures to ease later in 2024.
- The Chinese Government announced further measures to shore up its property market. The PBoC will be easing mortgage rules and encouraging local governments to buy unsold homes from developers. The Shanghai Stock Exchange Property Index surged following the announcement.
- Argentina posted first-quarter primary fiscal surplus in May, after 16 years, driven by a restrained package under President Javier Milei. Milei's goal is to restrict government spending in order to stem the country's hyperinflation.

Market snapshot

US tech resumed market leadership with the earnings season confirming the strength of US tech coupled with heightened investor interest regarding advancements in AI. In summary, equities performed well across regions except for Japanese and Chinese equities which remained contained for the month, with data in both regions continued to be mixed. Government bonds recovered some of the losses of previous month but still negative year-to-date as the future of inflation remains uncertain.

Performance of global asset classes

	1 Month	YTD
US Tech	6.2%	10.1%
US Equities	5.0%	11.3%
Precious Metals	4.1%	13.4%
World Equities	4.1%	8.9%
European Equities	2.9%	10.8%
UK Equities	2.1%	9.0%
Global Corporate Bonds	1.9%	-1.2%
Global High Yield Bonds	1.5%	2.8%
Global Government Bonds	1.3%	-3.3%
Commodities	1.3%	4.4%
Emerging Market Equities	0.6%	3.4%
Japanese Equities	0.2%	15.9%
Chinese Equities	-0.7%	4.3%

Source: Bloomberg, Returns are in local currency, as at 31 May 2024.

What is the data telling us?

Manufacturing PMIs across the board continued their trend upwards except for US manufacturing which declined further. Euro Area manufacturing shows signs of a rebound but from a low base compared to the rest of the regions, such as Japan, China, and the UK which continue in the expansionary territory (above 50).

Purchasing Managers Index

Manufacturing

	2023								2024				
	5	6	7	8	9	10	11	12	1	2	3	4	5
Global	49.6	48.8	48.7	49	49.1	48.8	49.3	49	50	50.3	50.6	50.3	50.9
US	46.9	46	46.4	47.6	49	46.7	46.7	47.4	49.1	47.8	50.3	49.2	48.7
EU	44.8	43.4	42.7	43.5	43.4	43.1	44.2	44.4	46.6	46.5	46.1	45.7	47.3
UK	47.1	46.5	45.3	43	44.3	44.8	47.2	46.2	47	47.5	50.3	49.1	51.2
China	50.9	50.5	49.2	51	50.6	49.5	50.7	50.8	50.8	50.9	51.1	51.4	51.7
Japan	50.6	49.8	49.6	49.6	48.5	48.7	48.3	47.7	48	47.2	48.2	49.6	50.4

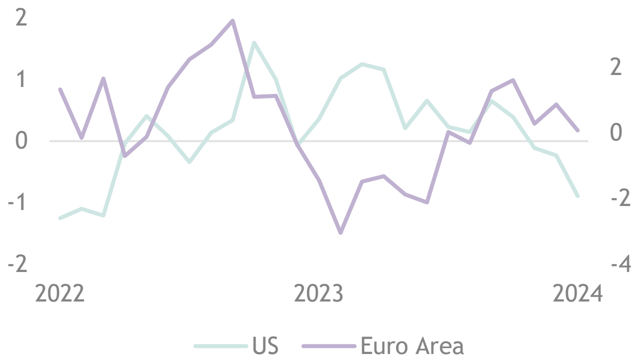
Service

	2023								2024				
	5	6	7	8	9	10	11*	12	1	2	3	4	5*
Global	55.5	53.9	52.7	51.1	50.8	50.4	50.6	51.6	52.3	52.4	52.4	52.7	*
US	50.3	53.9	52.7	54.5	53.6	51.8	52.7	50.6	53.4	52.6	51.4	49.4	*
EU	55.1	52	50.9	47.9	48.7	47.8	48.7	48.8	48.4	50.2	51.5	53.3	53.3
UK	55.2	53.7	51.5	49.5	49.3	49.5	50.9	53.4	54.3	53.8	53.1	55	52.9
China	57.1	53.9	54.1	51.8	50.2	50.4	51.5	52.9	52.7	52.5	52.7	52.5	*
Japan	55.9	54	53.8	54.3	53.8	51.6	50.8	51.5	53.1	52.9	54.1	54.3	54.8

Source: JP Morgan, ISM Institute, HCOB, S&P Global/CIPS, Caixin, au Jibun Bank, from 1 May 2023 to 31 May 2024.

Chart of the month

Goldman Sachs MAP Economic Surprise Index



Source: Bloomberg. Data as at 31 May 2024.

Goldman Sach's MAP surprise indices quantify the extent to which key economic indicators across the globe have diverged from consensus economic forecasts. The US has gathered significant attention due to a sustained period of economic data surprising to the upside. However, in the past couple of months we have witnessed a deterioration in US economic data releases relative to expectations. This deterioration suggests the relative growth outperformance of the US compared to the rest of the world may have peaked.

On the other hand, European economic releases have surpassed expectations. The growth in European data coupled with expectations of interest rate cuts has established a more favourable environment for Europe.

Looking ahead

Manufacturing production continues to recover, providing some support to the global economy. While we have experienced some moderation in US economic data, its growth is still resilient. The narrowing of the gap between growth in the US and Europe suggests "US exceptionalism" may have peaked. This could provide some support to European equities and the Euro relative to the US equity market and US dollar, respectively. Inflation data was mixed this month, with US inflation moderating and UK/EU inflation data slightly higher than expected. However, our thesis of EU and UK inflation undershooting US inflation in 2024 remains unchanged. If this is the case, we would expect European and UK bonds to outperform US bonds. Into next month we strongly expect the ECB and Bank of Canada to cut rates. This will be an important milestone for the developed market rate cycle as countries with more contained inflation and weaker growth are cutting ahead of the Fed. The central bank divergence may also see regional fixed income performance diverge.

Contacts

Eren Osman

Managing Director,
Investment Management

David Michael

Senior Investment Manager

davidmichael@arbuthnot.co.uk

Simon Coll

Director, Head of Distribution

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adviser_services@arbuthnot.co.uk

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