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Bankers since 1833

22.2%
Increase in motor vehicle insurance pricing

Cost of motor vehicle insurance continues to rise, according to the latest US CPI.

0.7%
March US retail sales rise

Strong retail sales signalled that consumer spending remains resilient in the US.

17 May
EU CPI April release

Next CPI release will be very important for the ECB, which takes a data dependent approach before proceeding to rate cuts.

April 2024

Market Spotlight

Around the world

- In March, the US CPI surged beyond expectation, climbing 3.5% YoY and 0.4% for the month, marking the third consecutive MoM surprise upside. This unexpected rise challenges the prospect of three Fed rate cuts this year.
- Semiconductor companies, ASML and TSMC, sparked a sell-off in the chip sector after they released their earnings for Q1. ASML posted mixed results while TSMC managed to beat expectations. AI chips were the primary contributers to offset the weakness observed in other chip sales.
- The ECB kept interest rates unchanged during the latest meeting, but minutes from the meeting heightened the possibility of rate cuts in June, as Eurozone inflation makes its way towards the 2% target.
- Copper has been one of the best performing commodities as mining supply disruptions coincide with higher demand for the metal on the back of the transition to green energy and accelerating economic growth.
- Most Emerging Market currencies have depreciated versus the US Dollar so far this year on the back of rising US yields. Many Emerging Market central banks have been more hawkish this year on worries that a stronger dollar could lead to higher domestic inflation.
- One of the most anticipated earnings reports was Tesla’s. Despite the reported revenue decline of 9% YoY, shares recovered as they announced plan to launch “more affordable” car models.

Market snapshot

April was a tough month for equities and fixed income, mainly driven by stalling disinflation in the US. The uncertainty of the path of inflation has led to the market pushing back on the number of Fed rate cuts. Accelerating growth and geopolitical uncertainties continued to boost commodity prices this month. UK equities posted positive performance for the month mainly driven by the composition of the region with high weightings to energy and commodities. Chinese equities also bounced back as sentiment recovered from depressed levels

Performance of global asset classes

	1 Month	YTD
Precious Metals	3.6%	9.0%
UK Equities	2.7%	6.8%
Commodities	2.2%	3.1%
Chinese Equities	1.9%	5.1%
Emerging Market Equities	0.4%	2.8%
Global High Yield Bonds	-0.8%	1.3%
European Equities	-1.8%	7.7%
Global Corporate Bonds	-2.3%	-3.0%
Global Government Bonds	-2.5%	-4.6%
World Equities	-3.3%	4.6%
US Equities	-4.1%	6.0%
US Tech	-4.4%	3.7%
Japanese Equities	-4.9%	15.6%

Source: Bloomberg, Returns are in local currency, as at 30 April 2024.

What is the data telling us?

Services and manufacturing PMIs continued to diverge. European, US, and UK Manufacturing PMIs disappointed by reversing some of the gains from previous months. Chinese manufacturing PMI rose, marking the fastest pace in 14 months, alongside a significant increase in Japanese manufacturing.

On the contrary, services PMIs remain resilient across regions except for the US which disappointed. The business activity component in the US declined to its lowest level since May 2020, with employment also declining.

Purchasing Managers Index

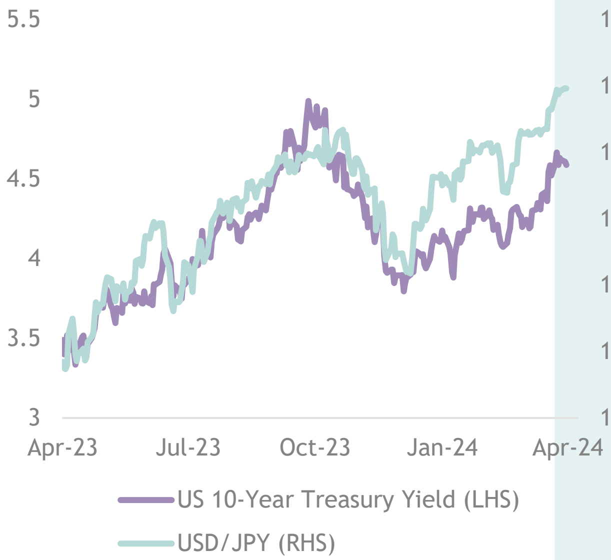
Manufacturing

	2023									2024			
	4	5	6	7	8	9	10	11	12	1	2	3	4
Global	49.6	49.6	48.8	48.7	49	49.1	48.8	49.3	49	50	50.3	50.6	50.3
US	47.1	46.9	46	46.4	47.6	49	46.7	46.7	47.4	49.1	47.8	50.3	49.2
EU	45.8	44.8	43.4	42.7	43.5	43.4	43.1	44.2	44.4	46.6	46.5	46.1	45.7
UK	47.8	47.1	46.5	45.3	43	44.3	44.8	47.2	46.2	47	47.5	50.3	49.1
China	49.5	50.9	50.5	49.2	51	50.6	49.5	50.7	50.8	50.8	50.9	51.1	51.4
Japan	49.5	50.6	49.8	49.6	49.6	48.5	48.7	48.3	47.7	48	47.2	48.2	49.6

	2023									2024			
	4	5	6	7	8	9	10	11*	12	1	2	3	4
Global	55.4	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	51.9	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	56.2	55.1	52	50.9	47.9	48.7	47.8	48.7	48.8	48.4	50.2	51.5	53.3
UK	55.9	55.2	53.7	51.5	49.5	49.3	49.5	50.9	53.4	54.3	53.8	53.1	55
China	56.4	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	55.4	55.9	54	53.8	54.3	53.8	51.6	50.8	51.5	53.1	52.9	54.1	54.3

Source: JP Morgan, ISM Institute, HCOB, S&P Global/CIPS, Caixin, au Jibun Bank, from 1 April 2023 to 30 April 2024.

Yen tracks global yields closely



Source: Bloomberg. As at 30 April 2024.

Chart of the month

The US Dollar has advanced year-to-date driven by higher yields, as investors are taking their cue from the Fed that interest rates are staying higher for longer. This higher for longer narrative has been driven by several higher-than-expected US inflation data releases year-to-date, challenging the narrative of further US disinflation in 2024.

The dollar strength is even more remarkable when compared to the Japanese currency, with the yen falling to its weakest levels against the dollar since 1990. The main driver for the slide of the yen is the rate differential between the US and Japan. The governor or the Bank of Japan has reiterated multiple times that they will not intervene and raise rates solely for the benefit of the yen.

Looking ahead

Since our previous quarterly Investment Committee Series, we have observed a mixed landscape across the factors that shape our Tactical Asset Allocation (TAA) views. Growth dynamics have shown signs of improvement, as previously lagging sectors have begun to catch up, contributing to a more balanced economic recovery. On the inflation front, while faster growth has led to a broad uptick in inflationary pressures, our assessment remains optimistic about the disinflation journey continuing in the coming months. This is particularly true for Europe and the UK. Central banks, however, maintain a tight monetary policy stance, aimed at reining in elevated price pressures. Notably, recent shifts in central bank policy narratives have provided hints that monetary conditions could potentially loosen later this year. The European, Canadian, and Swedish central banks are the more dovish in this regard. While the Fed still expects to cut rates this year, it is worth highlighting recent commentary from officials have been more hawkish since recent data suggests the disinflation trajectory that begun in 2022 has stalled.

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