FEATURE

MONTHLY MARKET REVIEW 7 May 2024

April showers: 10 charts to remember

April's US economic landscape marked by macro challenges

April saw a challenging macroeconomic environment in the US, with the market delaying interest rate cuts once again, equities experiencing their first decline since October 2023, and the earnings season beginning on an uneven note. Each month, the Syz investment team takes you through the last month in ten charts.

Charles-Henry Monchau
Chief Investment Officer

PRIVATE BANKING

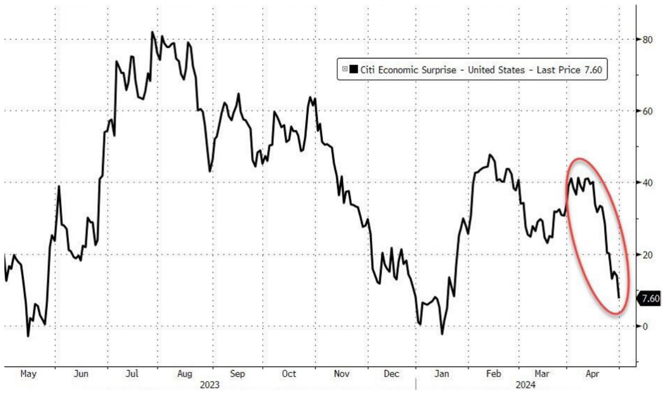
Chart #1

April witnessed a challenging macro environment

The Citi Economic Surprise Index took a deep dive this month, suggesting that more U.S. economic data is surprising on the downside. The PCE deflator increased unexpectedly to 2.7% in March (expected 2.5%), and core PCE remained at 2.8% (expected 2.7%), marking an increase for two consecutive months. Fed Chair Powell said there had been a “lack of further progress” on inflation this year. It will probably take longer to "regain confidence" on inflation.

U.S. Q1 GDP growth was disappointing at 1.6%, with personal spending growth slow at 2.5%, fueling concerns about stagflation where inflation is rising but growth is waning. Additionally, financial conditions showed slight tightening and liquidity diminished.

Europe witnessed a less inflationary environment relative to the U.S. with Eurozone inflation in March remaining flat at 2.4% year on year, although the important services component contracted by 30bps to 3.7%.



Source: ZeroHedge, Bloomberg

Chart#2

The market is once again delaying interest rate cuts

Over April, market sentiment about rate cuts this year kept decreasing, pricing out only 1.5 rate cuts for 2024 and delaying the timing of the first cut. Four months ago, there was only a 3% chance of no rate cuts this year, now prediction markets raised this likelihood to 36%.

In Europe, expectations for rate cuts remain more positive due to lower inflation and stable but slow economic growth. The European Central Bank (ECB) is still expected to cut rates this summer.

CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES

MEETING DATE	375-400	400-425	425-450	450-475	475-500	500-525	525-550	550-575
5/1/2024		0.0%	0.0%	0.0%	0.0%	0.0%	99.0%	1.0%
6/12/2024	0.0%	0.0%	0.0%	0.0%	0.0%	9.4%	89.7%	0.9%
7/31/2024	0.0%	0.0%	0.0%	0.0%	1.5%	22.7%	75.1%	0.7%
9/18/2024	0.0%	0.0%	0.0%	0.5%	8.7%	40.5%	49.8%	0.5%
11/7/2024	0.0%	0.0%	0.1%	2.2%	15.3%	42.4%	39.6%	0.4%
12/18/2024	0.0%	0.0%	1.0%	7.8%	26.9%	41.2%	22.8%	0.2%
1/29/2025	0.0%	0.3%	2.8%	12.9%	30.7%	36.3%	16.8%	0.2%
3/19/2025	0.1%	1.3%	6.8%	19.8%	32.9%	28.7%	10.3%	0.1%
4/30/2025	0.4%	2.8%	10.3%	23.3%	31.8%	23.8%	7.6%	0.1%

Source: CME Group

Chart #3

Bond yields on the rise

In a context where just one rate cut is priced this year and discussions of potential rate hikes, the U.S. 10-year note yield reached 4.73%, its highest since November 2023, standing approximately 100 basis points above its December low and the 2-year Treasury yields climbed 40 basis points to 5.0%. Global bond prices fell by 2.5%.

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.

Source : Rendements du marché des obligations, J.P. Morgan

Chart #4

A tough month for equities

The shift in market sentiment made April the first down month for equities since the Federal Reserve's pivot to October 2023. Developed market equities fell by 3.7%, the S&P 500 by 4.1% (its biggest monthly loss since September - see chart below), the Nasdaq and Dow by 3% and 4.37% respectively. The Magnificent 7 suffered their first monthly loss since October and their worst performance since September.

European equities outperformed US equities, buoyed by better-than-expected economic indicators. The eurozone's flash composite Purchasing Managers' Index (PMI) reached 51.4.

In Japan equities retreated, losing some of their gains of the past five months, as widening interest rate differentials between Japan and other developed countries heightened investor concerns about imported inflation and its impact on domestic demand.

Source : Barchart

Chart #5

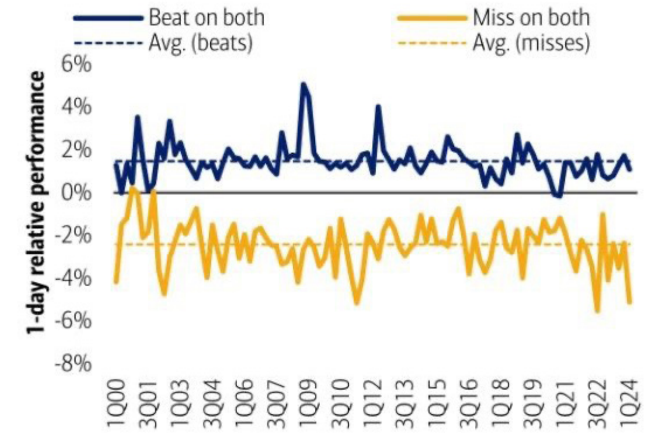
A mixed start for first-quarter corporate results

In April, major companies reported their Q1 earnings results. Overall, companies generally exceeded expectations this quarter, despite the low bar set against a supportive economic backdrop. Tesla (TSLA), Alphabet (GOOGL), Amazon (AMZN) and Microsoft (MSFT) reported positive results, while Meta Platforms (META) experienced setbacks.

The market, however, reacted more severely to disappointing earnings, as investors focused increasingly on whether recent increases in value were justified by earnings.

Exhibit 35: Misses got punished much more than usual

Rel. 1-day post-reporting performance (vs. S&P 500) on EPS & sales surprise (1Q00-4Q23 as of 4/26/24)



Source: BofA US Equity & Quant Strategy, FactSet

Source: BofA

Chart #6

The Japanese Yen is collapsing

The Japanese Yen has reached a significant low, weakening to 160 against the US Dollar for the first time since 1990. Despite rising inflationary expectations and a continuing devaluation, the Bank of Japan (BoJ) opted to keep its policy rate unchanged at 0%-0.1%, which is consistent with economists' expectations. This decision came as Tokyo's April core inflation rate registered at 1.6%, below the forecasted 2.2%. The BoJ faces a complex economic dilemma: managing excessive debt and inflationary pressures with accommodative monetary policies.

Source: Bloomberg

Chart #7

Emerging markets are recovering

Emerging Market (EM) equities experienced a record inflow, receiving $20.8 billion in a single week, the largest amount in history. This surge in capital inflows contributed to overall positive returns for EM equities, which closed the month with a gain of 0.5%, and 2.8% YTD. Emerging market performance was also driven by the recovery of Chinese equities.

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.

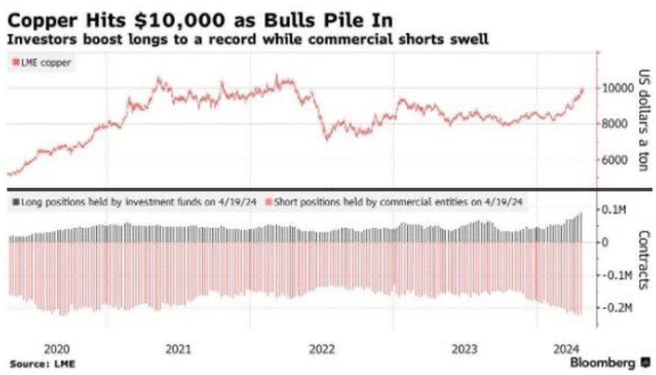
Source: Rendements des marchés boursiers mondiaux, J.P. Morgan

Chart #8

The impact of geopolitical tensions on global commodities

The risk of escalation in the Middle East has led to a surge in commodity prices. The Bloomberg Commodities index rose by 2.7% in April, making it the best-performing asset class of the month. US oil futures surpassed $85 a barrel after tensions in the Middle East escalated, demand forecasts were revised upwards, and risks of supply disruption increased. Copper climbed around 14% to a two-year high of $10,000 per tonne. This surge was driven by fears that the world's copper mines would struggle to meet the next wave of demand from green industries. Major players in the sector, such as BlackRock and Trafigura, have predicted supply shortages unless copper prices rise.

In addition, mining giant BHP Billiton has made a major move by proposing to buy Anglo American for USD 39 billion. If the merger goes through, BHP-Anglo could control 11% of the world's mined copper supply, according to Bloomberg.

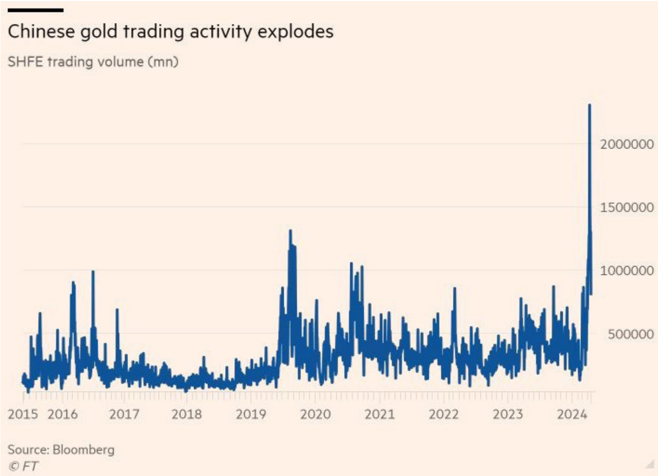


Source: Bloomberg

Chart #9

Gold as a safe haven

Against a backdrop of geopolitical uncertainty, gold played its role as a safe haven and inflation hedge. It reached record levels, topping $2,400 an ounce, before retreating. In addition, China's central bank has been actively accumulating gold, with the aim of diversifying its reserves away from the US dollar.



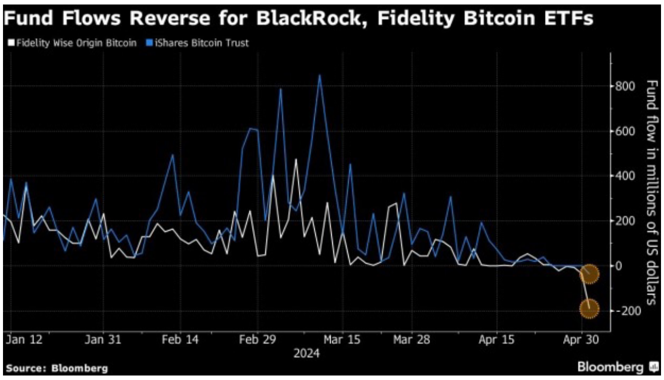
Source : FT

Chart #10

Bitcoin ends its winning streak with April drop

In April, bitcoin marked a clear reversal of its recent positive trend, dropping 15% after seven consecutive months of gains. The decline in bitcoin's value coincided with a decrease in ETF flows into the cryptocurrency; net flows were negative in April at -$183 million, following substantial positive inflows in previous months: +$4.62 billion in March, +$6.03 billion in February, and +$1.47 billion in January.

The bitcoin fourth halving happened April 19, 2024. Given that only three halving's have taken place in bitcoin's history, past performance cannot be considered statistically significant. However, historically, the halving usually had a very positive effect on the price of bitcoin, particularly in the 6 to 9 months following the day of halving.



Source: Bloomberg

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