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“Markets were mixed in January as interest rate cuts have been pushed out to later in 2024 & central bank inflation concerns persist.”



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January 2024 Market Commentary

Equity markets in January were mixed, in the main, developed markets posted gains, whereas emerging markets declined, albeit there were regional variances. Markets in general were volatile, especially as the signals from the central banks were that the anticipated interest rate cuts may not be forthcoming as early as previously expected.

Government bond yields rose, which meant prices fell. Furthermore, oil prices rose amid the ongoing conflict in the Middle East and continued disruption to shipping.

United Kingdom

FTSE All Share: -1.32%

UK equities fell in January, as expectations for interest rates cuts were pushed out to later in the year. This negative sentiment was on the back of the inflation data, which unexpectedly rose to 4.0%.

The outlook for the UK economy also remains mixed. Wage growth has slowed, but the economy performed better than expected. Furthermore, Chancellor of the Exchequer, Jeremy Hunt, has hinted he may announce major tax cuts in the upcoming budget.

United States

S&P 500: 1.76%

US shares advanced in January, supported by some strong corporate earnings and data suggesting a soft landing for the economy will be achieved. Hopes of imminent rate cuts also boosted shares, although such hopes were dashed by the US Federal Reserve (Fed) at the end of the month.

year. ECB president, Christine Lagarde, stated that "the disinflation process is at work".

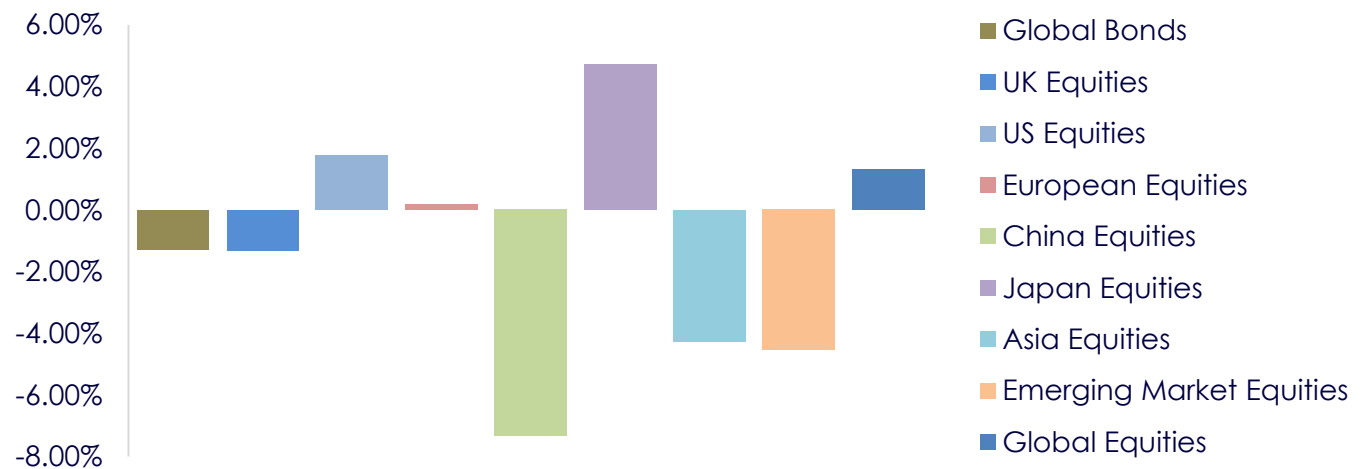
The Eurozone registered zero GDP growth in Q4 2023, with Germany being the main drag on growth, shrinking by -0.3% in Q4 2023.

China

CSI 300: -7.33%

Equities in China sold off amid investor concern

Discrete Quarterly Performance as at 31/01/2024



Economic data was mixed as the US economy grew at an annualised rate of 3.3% in Q4 2023. However, on the flip side, inflation rose to 3.4% in December and the unemployment rate stayed steady at 3.7%.

The Fed held a policy-setting meeting at the end of the month. Interest rates were kept on hold, as expected, at 5.25-5.5%. Comments from Fed chair, Jerome Powell, indicated that, while rates have peaked, a rate cut as soon as the next meeting in March is unlikely.

Europe

FTSE Developed Europe ex UK: 0.18%

Eurozone shares rose in January, on the hope of imminent interest rate cuts, albeit these hopes faded after inflation for December 2023 was confirmed to be up at 2.9%. The European Central Bank (ECB) therefore kept interest rates unchanged at its January meeting. However, rate cuts are still expected to come later in the

that the world's 2nd largest economy could face a long period of slow economic growth, with factory output contracting for the 4th consecutive month in January 2024. There was also news of further US sanctions on Chinese technology companies.

The challenges facing China's property market also continued to weaken investor sentiment towards the country's stock market. The liquidation of indebted property giant, Evergrande, did not help this sentiment.

Japan

MSCI Japan: 4.73%

The Japanese equity market enjoyed a strong start of 2024. Foreign investors led the rally on expectations of structural changes in Japan, including the launch of the new NISA (Nippon Individual Savings Account) for Japanese retail investors.

As expected, the Bank of Japan did not make any policy change at its January meeting. The currency market reacted to this development, with the Japanese yen depreciating. This depreciation further boosted the stock market, as a weaker yen benefited exporters' earnings.

The 2023 quarterly earnings results started to be released late in January. The numbers were encouraging, although some technology companies have downgraded their earnings estimates.

Emerging Markets

MSCI Emerging Markets: -4.54%

Emerging market equities declined in January. China was the main drag on performance, but also concerns that the US Fed will keep rates higher-for-longer added to the negative sentiment, along with signs of continued economic strength in the US.

Chile posted the biggest losses in the month with weakness in the peso weighing on returns. The Korean market, which is typically sensitive to the outlook for US interest rates, also lagged.

Taiwan did better than the index, helped by its technology sector and positive sentiment about the outcome of the presidential election which saw the ruling Democratic Progressive Party remain in power and the previous Vice President, Lai Ching-te, voted in as President. Saudi Arabia and the UAE also outperformed, with strength in energy prices beneficial for both markets.

Global Bonds

Bloomberg Barclays Global Agg: -1.28%

In January, global government bond markets saw a partial reversal in the positive performance experienced at the end of 2023. Despite encouraging news on disinflation, the enthusiasm for near-term rate cuts subsided as the US economy continued to demonstrate robust growth.

Yields rose across all major government bond markets, with UK, German and US 10 year government bonds rising to 3.80%, 2.16% and 3.95%, respectively.

All investment involves risk. It is important you understand that past performance is not a guarantee of future performance. The value of investments and any income derived from them may go down as well as up and you might not get back the full amount you invested.

Cumulative Performance and Annualised Volatility as at 31/01/2024

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	-2.41	-9.48	-1.23	6.89
UK Equities	1.90	27.46	30.42	14.27
US Equities	16.23	45.37	96.43	13.88
European Equities	7.78	26.15	54.64	14.55
Japan Equities	14.57	16.24	42.27	12.11
Asia Equities	-3.22	4.83	38.93	16.02
China Equities	-27.85	-38.06	8.02	17.84
Emerging Market Equities	-6.16	-14.67	8.53	14.37
Global Equities	13.10	36.06	77.16	13.26

Data source FE Analytics 31/01/2024. Indices used: Global Bonds: Bloomberg Barclays Global Aggregate, UK Equities: FTSE All Share, US Equities S&P500, European Equities: FTSE Developed Europe (Ex UK), Japan Equities: MSCI Japan, Asia Equities: FTSE World Asia Pacific (Ex Japan), China: CSI 300, Emerging Markets Equities: MSCI Emerging Markets, Global Equities: MSCI World. Volatility annualised over 5 years.

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