

Monthly Market Update



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"Inflation and the ongoing conflict in Ukraine remain the main driving forces for markets at this time as April saw declining equities and bonds"



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April 2022 Market Commentary

April saw both share prices and bond values fall. Global shares were impacted by the ongoing conflict in Ukraine, Chinese lockdowns and continued supply chain disruptions. These events have further exacerbated the impact of the Covid pandemic. Furthermore, expectations that US interest rates could rise quicker than anticipated and some poor company results from US companies, also weighed on markets. Bond yields (which move in the opposite direction to prices) continued to rise as markets anticipated significant interest rate hikes, which had a negative impact on their capital values.

United Kingdom

FTSE All Share: 0.31%

The UK bucked the general trend of the major global equity markets and posted marginally positive returns, with the FTSE 100 index continuing to remain in the black for 2022. UK equities have benefited from the strength of the US Dollar as many of the companies on the FTSE 100 index generate income from overseas where this is the currency predominantly used for trade. The returns were also aided by the large weighting to energy companies in the main index.

However, the UK economy slowed more sharply than predicted as

figures published in February, showed that GDP only rose by 0.1%, from 0.8% in January. Meanwhile, the rate of inflation climbed to 7.0% and is now at its highest level since March 1992.

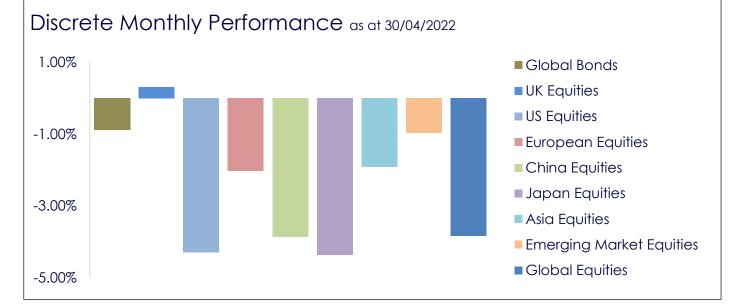
United States

S&P 500: -4.30%

US equities fell sharply in April as economic data weakened and inflationary pressures

as reaching 7.5%. Furthermore, the war in Ukraine saw Russia halt gas supplies to Poland and Bulgaria after they both refused to pay in Roubles.

Economic data was mixed as the Eurozone economy grew by 0.2% and the unemployment rate dipped to 6.8% in Q1 2022. However, whilst leading economic indicators suggest that the service sector is likely to



continued. This has prompted the US Federal Reserve (Fed) into a more aggressive path of interest rate rises. Furthermore, a number of high-profile US technology firms also reported weaker earnings, citing issues around continuing supply-chain concerns.

US inflation has increased to 8.5%, which is the highest level since December 1981. Higher fuel prices were the most significant contributor to the elevated inflation figure.

The Fed signalled to markets that a 0.5% interest rate rise would take place in May as it looks to tackle inflation. Meanwhile, key market indicators highlighted a reduction in industrial activity, weaker consumer confidence and a contraction of US GDP in Q1.

Europe

FTSE Developed Europe ex UK: -2.03% Eurozone equities continued their decline in April as inflation continued to impact markets, benefit from an upturn in tourism, they also project that this will be offset by a contraction in the manufacturing sector.

China

CSI 300: -3.87%

China continues to struggle to contain its worst outbreak of Covid-19, which led to a decline in equity markets. This situation has prompted fears that it will continue to have an impact on the global economy and exacerbate current supply chain issues. Shanghai, China's largest city and home to almost 25 million people, has been in lockdown since the end of March when cases of the Omicron variant started spiking.

Japan

MSCI Japan: -4.36%

Japan's equity market started sharply down in April and was primarily driven by news flow on monetary policy and currency markets. Despite comments from the US Fed, the Bank of Japan (BoJ) decided to make no changes at its own policy meeting, albeit the widening interest rate differential between Japan and the US is now impacting the Yen, which has weakened substantially against the US Dollar.

Emerging Markets

MSCI Emerging Markets: -0.96% Emerging market equities finished down in April, as investors remained risk averse. Increasingly hawkish sentiment from the US Fed, the subsequent strength of the US dollar, concern over the impact of Covid lockdowns in China, and the ongoing war in Ukraine all weighed on the outlook. Poland, which saw its gas supply from Russia cut off, was the weakest market in the index, while neighbouring Hungary also lagged. Countries reliant on industrial metal exports also performed badly. Net energy exporters, such as Saudi Arabia, Qatar and Kuwait were up during April.

Global Bonds

Bloomberg Barclays Global Agg: -0.88% Bond yields continued to rise in April, resulting in further negative returns, amid continued high inflation and expectations of significant interest rate hikes.

The US 10-year Treasury yield increased to 2.94% on the basis of the hawkish rhetoric from the US Fed.

The UK 10-year yield rose to 1.91% as the Bank of England acknowledged UK policymakers are walking a "tightrope" between inflation and the danger of the shock to household incomes that higher interest rates could represent.

In Europe, the German 10-year yield rose to 0.94% and the European Central Bank repeated its message that asset purchases will end early in Q3 and rates could rise this year, but the governing council will maintain flexible.

Corporate bonds saw negative total returns and under-performed government bonds.

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.

	1 Year %	3 Years %	5 Years %	Volatility %2
Global Bonds	-3.65	0.48	4.77	7.30
UK Equities	8.72	14.09	26.62	13.65
US Equities	10.05	50.90	90.24	13.69
European Equities	-0.74	22.22	32.96	13.49
Japan Equities	-4.49	13.90	25.05	11.76
Asia Equities	-1.08	33.77	50.27	13.69
China Equities	-13.58	15.85	39.75	16.50
Emerging Market Equities	-9.93	10.98	27.29	13.01
Global Equities	6.40	39.76	67.21	12.85

Cumulative Performance and Annualised Volatility as at 30/04/2022

Data source FE Analytics 30/04/2022. Indices used: Global Bonds: Boomberg 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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