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April 2023 Market Commentary

“Resilient data supported global equities which rose in April. However, China dragged due to rising tensions with the US about Taiwan”



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On the whole, global equities rose in April, supported by some resilient economic data. Chinese equities were a drag on the Emerging Market sector, which subsequently underperformed developed market equities. US bonds generated positive capital returns as yields fell, but in other bond markets price fell as yields rose

United Kingdom

FTSE All Share: 3.35%

UK equities rose over April, driven by a recovery in the banking sector as fears around the health of US banks receded somewhat. The energy sector also performed well as OPEC announced a surprise decision to cut oil production, which supported the price.

Domestically focused equities held up well despite the disappointing inflation and wages data, which has led to expectations of continued UK interest rate rises. UK inflation failed to fall back below 10% as anticipated, slowing to 10.1%.

With inflation remaining stubbornly high, commentators expect that the Bank of England (BoE) may need to raise interest rates again after May's meeting. This was also supported by the strong wages data published in April.

United States

S&P 500: -0.12%

US equities were slightly down in April. Investor optimism was impacted by the US Federal Reserve's (Fed) highlighting that economic growth was softening, whilst uncertainty continued to prevail in the US banking sector.

The First Republic Bank collapsed at the end of April, and ultimately the US government

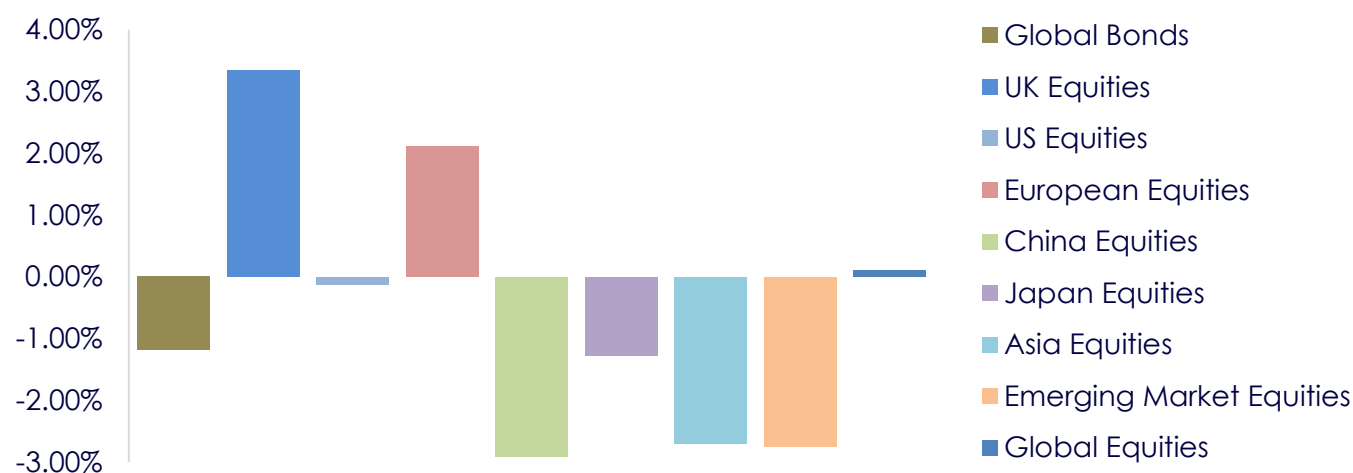
after zero growth in the previous quarter. The Germany economy saw no growth but other economies such as Spain and Italy saw strong expansion. However, the pace of inflation in Germany slowed to a rate of 7.2%, down from 7.4% the previous month.

China

CSI 300: -2.91%

China was the weakest market in the Emerging

Discrete Monthly Performance as at 30/04/2023



facilitated a deal with JP Morgan to purchase it. However, investors appeared to take this in their stride as the bank sector of the S&P 500 index advanced in aggregate in April.

Consensus expectations in April were that the Fed will raise rates in its May meeting by a further 0.25%, but that the Central Bank will then shortly thereafter pause its policy tightening phase. This view was backed by economic data that indicated growth is waning, the labour market is showing signs of weakening and inflation seems to be more under control.

Europe

FTSE Developed Europe ex UK: 2.11%

Eurozone equities were supported by the release of some resilient corporate earnings and led to gains in April. Data released also showed that the Eurozone had returned to growth in Q1 2023 with an expansion of 0.1%

Market Index in April, despite announcing economic growth that had expanded at a faster rate than expected in Q1 2023. This positive news was tempered by the ongoing tensions with the US and other Western nations over Taiwan, which has essentially weakened investor sentiment towards the country. Furthermore, expectation is that the US administration may apply more restrictions on foreign direct investment into China.

Japan

MSCI Japan: -1.27%

In local terms, the Japanese market returned 2.7%. However, as the Yen weakened, Sterling investors saw a decline in their returns. Furthermore, under new Governor Ueda's leadership, the Bank of Japan's (BoJ) tone turned dovish, putting further pressure on the Yen.

The flow into Japanese stocks from foreign

investors accelerated as the Tokyo Stock Exchange introduced initiatives to boost corporate values and stock prices for companies. There also seemed to be a “Buffett effect” after legendary investor Warren Buffett added to his Japanese equity investments.

Inflation has remained at a historically high level, which has been further supported by wage growth following negotiations between major companies and trade unions.

The upward momentum from the macro environment, yen weakness, and increasing focus on corporate governance reforms supported the positive outlook for corporate profits, with corporate results better than expected in April for retailers

Emerging Markets

MSCI Emerging Markets: -2.74%

Emerging market equities declined in April, underperforming developed market equities.

Turkey underperformed as political uncertainty rose ahead of May’s presidential elections.

India outperformed, as it was supported by some positive macroeconomic data, which meant the Central Bank kept monetary policy unchanged. Saudi Arabia posted a positive return as oil prices rose after OPEC production cuts were announced.

The Czech Republic, Hungary and Poland delivered strong returns, as gas prices fell again in April and the winter ended with European gas storage near record highs.

Global Bonds

Bloomberg Barclays Global Agg: -1.19%

Bond markets are anticipating further near-term rate hikes from the US Fed, BoE and the European Central Bank. However, in the UK, the gilt market underperformed other markets as economic data remained resilient and inflation surprised to the upside.

Bond yields were largely flat with the US 10-year yield falling from 3.47% to 3.42%, Germany’s and the UK’s 10-year yields rose from 2.29% to 2.31% and 3.49% to 3.72% 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 30/04/2023

	1 Year %	3 Years %	5 Years %	Volatility % ²
Global Bonds	-2.42	-10.97	4.57	6.84
UK Equities	6.04	45.21	24.15	14.25
US Equities	2.02	48.57	83.50	14.95
European Equities	12.18	49.16	39.89	14.61
Japan Equities	4.19	18.37	16.37	12.48
Asia Equities	-4.83	37.13	30.44	15.95
China Equities	-2.54	11.88	19.91	17.91
Emerging Market Equities	-6.62	13.95	3.97	14.51
Global Equities	3.06	45.18	62.05	13.96

Data source FE Analytics 30/04/2023. 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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