MONTHLY INVESTMENT REVIEW

April 2024

VINTAGE ASSET MANAGEMENT

Markets were mostly strong in March on the prospect of interest rate reductions and a degree of resilience in the world economy, in spite of a number of pressures. The enthusiasm for Artificial Intelligence or AI continued while robust corporate profits also helped the level of investor confidence and the continued momentum in prices.

The reported rate of inflation has remained key and remains in a broad trend to a lower level, if by no means consistently. In the US the latest reported consumer price index (CPI) was a little higher at 3.2% in February as against 3.1% in January, while the core rate was at 3.8%; both figures were a touch above the expected level. The personal consumption expenditures index, which is a key measure for the Federal Reserve, rose by 0.3% in February which was down from 0.4% the prior month, this time a little better than expectations. In the UK the CPI data showed the annualised rate was unchanged at 4% in February while it is likely to dip to around 2% in the coming months given the comparative data a year ago. The rate in the eurozone eased a little further to 2.6% in February from 2.8% in January and is also forecast to touch the target 2% in 2024. In Japan the headline rate rose from 2.2% to 2.8% in February although a core measure excluding food and fuel was lower. The spring wage negotiations with major Japanese firms have delivered notable pay increases, with the preliminary figure for the average increase showing 5.3%, the highest in thirty-three years.

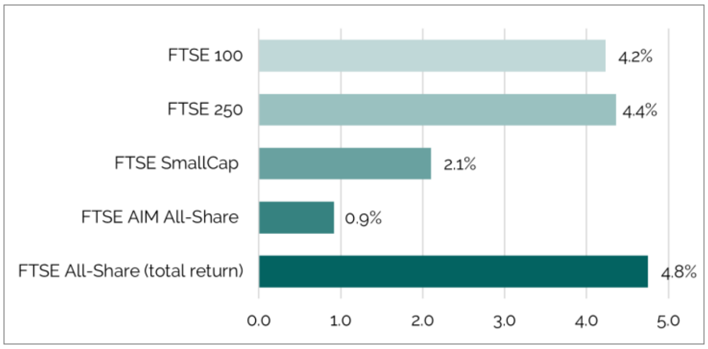
The central banks in the US, UK and Europe all held rates in March while pointing to cuts coming soon, given that the rate of reported inflation is closer to their target of 2%, if being variable. The US Federal Reserve maintained its plot graph of three cuts in 2024; the consensus currently is for a first cut not at the next meeting in May but in June. The European Central Bank has pointed to a first cut in June, in part to stimulate a struggling economy, and in the UK the Bank of England has also indicated that a first cut in rates is on the cards, helped by a moderation in wage growth. The two members of the Monetary Policy Committee who had voted for a raise in rates at the prior meeting joined the majority in voting to hold them steady, while one member favoured a cut now in the majority 8-1 decision. The Swiss National Bank made an unexpected cut of twenty-five basis points to 1.5%. The Bank of Japan finally ended its negative interest rate policy, in place since 2016, and raised them for the first time since 2007, to a revised level of 0-0.1%, although the bank is still buying government bonds to provide support; the yen fell to a new low.

In the US the central bank upgraded its forecast of economic growth for the year from 1.4% to 2.1%. The labour market has appeared to soften as the non-farm payrolls showing the creation of a more modest number of 275,000 new jobs in February, while the increases in December and January were revised down. The high level of government spending has raised concerns over the level of federal debt, which reached $26trn at the end of 2023, equivalent to 97% of GDP. In the eurozone the outlook for Germany remains subdued, with the authorities cutting the forecast of economic growth in 2024 from 1.3% to 0.1%. The Chinese prime minister, Li Qiang, admitted that the country's economy would struggle to meet the official growth target of 5%, in part as the government is reluctant to provide any extra stimulus. The economic data for the first part of the year was mixed, influenced in part by the timing of the lunar new year holiday. In the UK the Budget headline was a further cut of 2p in National Insurance, which might point to an early election in spite of the travails of the government party.

In the latest set of elections in a busy year Vladimir Putin took an apparent 87% of the vote in polls soon after the funeral of his most feared critic, Alexei Navalny. Iran's parliamentary vote saw a low turnout given the abstention by protestors; the opposition candidate won in Senegal. In Portugal the centre-right Democratic Alliance won the most seats in a general election if not the outright majority that would have helped to exclude the populist Chega party, which came third behind the Socialists with 18% of the vote. Leo Varadkar resigned as Taoiseach in Ireland while the Communist party in Vietnam ensured the resignation as president of Vo Van Thuong, in an anti-corruption move that might prompt a degree of instability. In the US Donald Trump secured his predictable nomination as the candidate for the Republican party; his remaining rival Nikki Haley having retired after the Super Tuesday caucuses, and he will face the incumbent Joe Biden in an election for which the ramifications are as yet to evolve. The conflicts in Ukraine and Gaza looked intractable, if with Russia appearing to gain traction, while they have meant less attention on the civil war in Sudan which the UN has estimated could risk starvation for 5m people in part due to the obstruction of aid deliveries.

Business profits have been resilient while the impact of AI has remained a dominant theme. The 'Magnificent Seven' of technology-oriented shares have really been four so far this year. In the month Tesla struggled with weakening demand and lower prices for electric vehicles while Apple faced a fine of €1.8bn from the EU over music streaming and accusations of monopoly practice from the US Department of Justice, as well as reporting a sharp fall in sales of the iPhone in China. Apple also came under investigation, as did Alphabet and Meta, under the EU's Digital Markets Act, a new piece of legislation that can lead to hefty fines up to 20% of turnover.

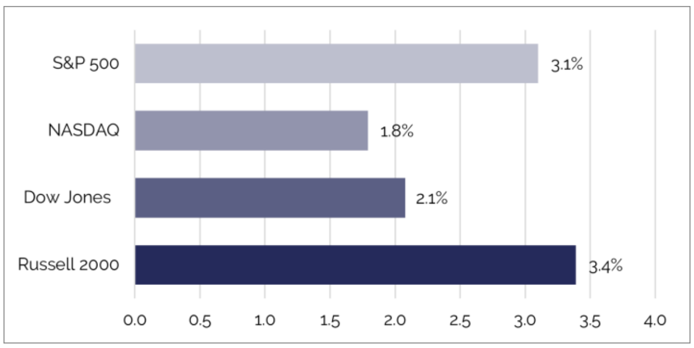
United Kingdom



In the UK the FTSE 100 index rose by 4.2% in the month from 7630 to 7953 while the FTSE 250 index of mid-sized companies and the FTSE SmallCap index saw gains of 4.4% and 2.1% respectively.

The FTSE AIM All-Share index was up a more modest 0.9%. The total return for the FTSE All-Share index including income was 4.8% in the month.

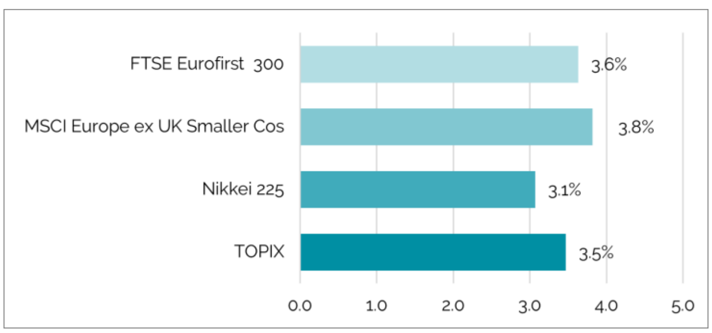
United States



In the US the S&P 500 index was up by 3.1% in the period, the technology-led NASDAQ index was 1.8% higher and the Dow Jones Industrials index rose by 2.1%.

The Russell 2000 index of smaller companies saw a rise of 3.4% in the period.

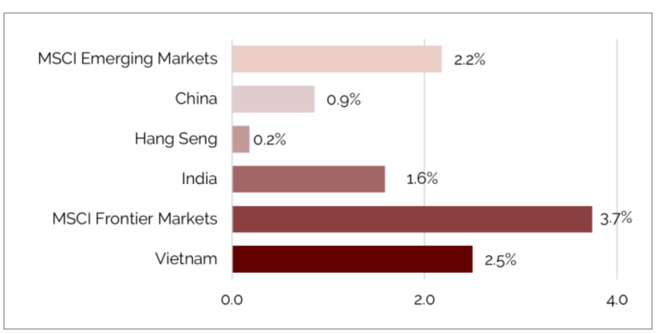
Europe & Japan



In Europe the FTSE Eurofirst 300 index was up by 3.6% over the month, when Spain and Italy were stronger than Germany and France amongst major markets, while the MSCI Europe ex UK Smaller Companies Index was up 3.8%.

In Japan markets were again positive with the Nikkei 225 index rising by 3.1% and the TOPIX index by 3.5%.

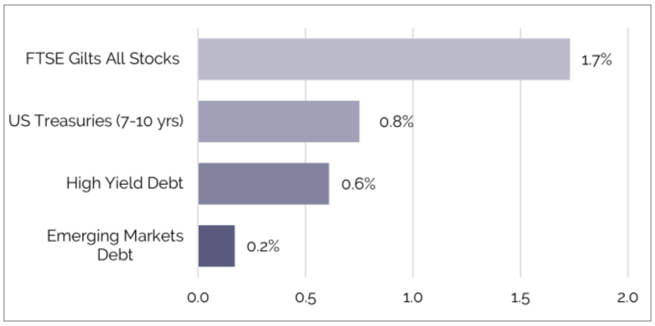
Emerging Markets



The MSCI Emerging Markets index in US$ rose by 2.2% in the month, helped by the Korean market which gained 4%; the Indian market was up 1.6% although the Brazilian market was down by 0.7%. In China the Shanghai index gained 0.9%, while the Hang Seng index in Hong Kong was up 0.2%.

The MSCI Frontier Markets index was 3.7% higher while the Vietnamese market gained 2.5%.

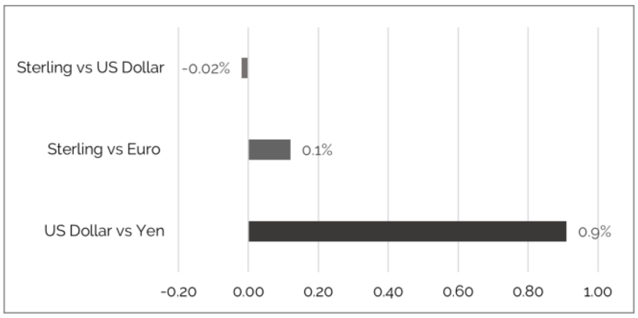
Bond markets



In bond markets the UK 10-year gilt yield fell back from 4.12% to 3.93% and the total return for the FTSE Gilts All Stocks index in the month was 1.7%. In Germany the 10-year bund yield went from 2.41% to 2.3% while the US ten-year yield was down from 4.25% to 4.2%.

The major bond markets saw positive returns in the month, with emerging market debt in US$ again doing well alongside gilts.

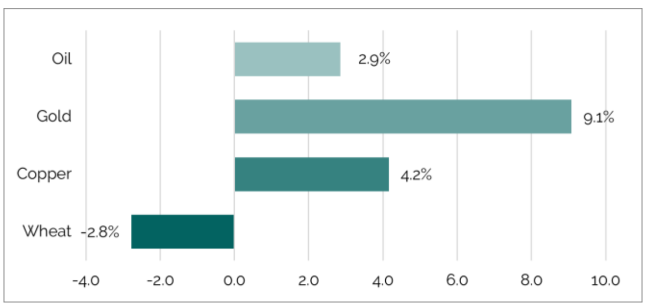
Currencies



Sterling was little changed against the US$ and closed off 0.02% at a rate of $1.26:£. Against the euro Sterling was up 0.1% in the month, which it ended at a rate of €1.17:£.

The Japanese yen weakened a little against the US$, by 0.9% in the month.

Commodities



The price of Brent crude oil ended the month up by 2.9% at $87 per barrel. The price of gold was up a striking 9.1% at $2230 per troy ounce.

The prices of major metals were all higher in the month, with the bellwether copper up 4.2%, while the main agricultural commodities were mixed, with wheat falling by 2.8% and cocoa up sharply.

Call: 020 7989 3110
Visit: vintageassetmanagement.co.uk

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7a Wyndham Place,
London W1H 1PN

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