

## Review

- **Global equities (shares) rose** in May and **developed markets performed more strongly than emerging markets**.
- **The oil price fell** by 6.3 percent.
- Investors continued to anticipate interest rate cuts, which are expected to come later in the US than in some other regions.

## Company shares

- **UK equities rose** and the index of the 100 largest companies achieved all-time highs. Financial services companies and those that make industrial machines and equipment were top performers overall. Small and medium-sized companies performed very strongly on hopes of a possible turning point for domestic areas of the UK market.
- **US equities rose strongly**, driven by good company earnings figures and [hopes interest rate cuts will happen later this year](#). Companies in information technology, communication services and those providing basic amenities (such as water, gas and electricity) did particularly well.
- **Eurozone equities rose**, with real estate and basic amenities companies among the top performers against the backdrop of an expected European Central Bank rate cut. But lower oil prices had a negative overall impact on companies involved in the production or supply of energy.
- **Japanese equities rebounded**. Financial services companies performed particularly strongly, due to a rise in long-term interest rates. Domestically focused retailers and companies involved in the automotive industry performed relatively weakly.
- **Asian equities (excluding Japan) rose modestly**. Taiwanese equities performed strongly, due to investor enthusiasm for artificial intelligence (AI). Taiwan produces the chips used in many AI technologies. Higher-than-expected first-quarter economic growth in the first three months of 2024 helped support Chinese equities.
- **Emerging market equities rose in US dollar terms** but weren't as strong as developed market equities. Egypt was the top-performing emerging market, followed by Czech Republic. Brazil, Greece, Thailand and Mexico all had negative returns.

## Bonds

- **Prices on US government bonds (treasuries) rose**, leading yields to fall from their year-to-date highs (bond yields fall when bond prices rise). Government bond yields rose in European markets.
- Renewed investor confidence that US interest rates would fall later helped **corporate bonds rise**. [Bond prices often rise when interest rates are expected to fall](#).

## Commodities





The Bloomberg Commodity index, a benchmark for investment in global commodities, rose very slightly in May. Agriculture, industrial metals and precious metals rose modestly while energy and livestock fell.




## Outlook

We maintain our positive stance on equities as we expect strong growth in company earnings. But we have a neutral view on emerging market equities, largely due to concerns about China's economy. We are cautious on corporate bonds, partly because we consider US corporate bonds to be expensively priced despite strong US economic growth. We are, though, neutral on government bonds but positive on UK gilts, as we believe UK inflation will moderate and support the case for interest rate cuts.

## Asset overview

Our general view of assets in the coming months is summarised as follows. These are our in-house views as at the end of May 2024.

Equities		We maintain our positive stance as we expect strong overall earnings growth from companies.
Government bonds		We maintain an overall neutral stance but are cautious on US government bonds due to the risk of inflation remaining higher for longer.
Corporate bonds		We have a cautious viewpoint. We note that defaults are rising in Europe, highlighting the challenge to companies of holding large levels of debt when rates are relatively high.
Commodities		A continued rise in manufacturing activity has driven demand for industrial metals, but prices for these commodities have recently gone up.

Legend	
	Positive outlook
	Negative outlook
	Neutral outlook

Source: Schroder Investment Management and Schrodgers Personal Wealth, 10 June 2024

## Important information

Forecasts of future performance are not a reliable guide to actual results, neither is past performance a reliable indicator of future results. The value of investments and the income from them can fall as well as rise and are not guaranteed, and the investor might not get back their initial investment.

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