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Monthly Review and Outlook

April 2024

Review

- **Developed market equities (shares) fell** in April as interest rate cuts in the US appeared a more distant prospect.
- **Bond prices also fell**, meaning yields rose.
- **Emerging market equities performed more strongly than developed market equities.**

Company shares

- **UK equities rose** in April, benefiting from the UK's high weighting to companies involved in previously unfashionable areas such as financial services and raw materials.
- **US equities fell** as higher-than-expected inflation dampened hopes of interest rate cuts in the near term. The weakest areas were those most sensitive to changes in interest rates, such as real estate and information technology.
- **Eurozone equities fell** as the prospect of US rate cuts receded. The weakest performing companies were generally those involved in information technology and non-essential consumer goods. Companies involved in energy and real estate generally performed relatively strongly.
- **Japanese equities fell** sharply in early April but recovered somewhat towards the end of the month, mainly thanks to good company earnings data. The initial drop mainly affected large-sized companies and those involved in semiconductors.
- **Asian equities (excluding Japan) rose modestly**, with share price gains in China, Hong Kong and Singapore offsetting price falls in Indonesia, South Korea and the Philippines. China was the strongest market in the MSCI AC Asia (excluding Japan) index.
- **Emerging market equities rose modestly**, driven by a rebound from China. Turkey was the top-performing market in the MSCI Emerging Markets index, amid President Recep Tayyip Erdogan's post-election indication that economic policy will remain orthodox.

Bonds

- The US led the **sell-off in global government bonds** in April. The yield on US government bonds with a 10-year expiry date hit 4.70 percent, its highest level since late 2023 (bond yields rise as bond prices fall). This was due to investors now expecting interest rates to stay higher for longer.
- Meanwhile, the UK 10-year gilt yield rose to 4.35 percent and the German 10-year Bund yield rose to 2.58 percent.

Commodities

The Bloomberg Commodity index, a benchmark for investment in global commodities, rose in April, with **higher prices in industrial metals and precious metals** offsetting modest price falls in some other areas. **Natural gas prices rose slightly** while **the price of crude oil was almost unchanged**, despite worries about the Middle East.

Outlook

We continue to hold a positive stance on equities, as we have a positive outlook on the US, European (excluding UK) and Japanese economies. We are neutral on government bonds, but note that US inflation may be rising, which could benefit US inflation-linked bonds. And we have a positive view on commodities, as an improvement in manufacturing activity will boost demand for industrial metals. We also maintain a positive stance on gold, as demand for the precious metal remains robust.

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 April 2024.

Equities	● (Positive)	We maintain our positive view as economic growth remains solid both inside and outside the US.
Government bonds	● (Neutral)	We have a neutral stance because rate cuts may be pushed back to later in 2024 as inflation is no longer falling.
Corporate bonds	● (Negative)	We maintain our cautious stance as we think valuations are expensive, particularly in dollar-denominated debt.
Commodities	● (Positive)	We have a positive stance, as manufacturing activity has improved in Europe and the US, leading to increased demand for industrial metals.

	Legend
●	Positive outlook
●	Negative outlook
●	Neutral outlook

Source: Schroder Investment Management and Schroders Personal Wealth, 3 May 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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