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Monthly Review and Outlook

March 2024

Review

- **Global equities (shares) rose** in March, with developed markets performing more strongly than emerging markets.
- **Prices of government bonds rose overall**, meaning yields fell.
- **Corporate bond prices rose more strongly than government bond prices**.

Company shares

- **UK equities rose**. Financial services companies, machinery manufacturers, and oil, gas and basic materials companies performed relatively strongly, in line with other areas particularly sensitive to underlying economic conditions.
- **US shares also rose**. Energy companies, notably oil and gas businesses, were generally boosted by rising oil prices. Companies involved in raw materials and those providing everyday services such as electricity, gas and water supplies also performed well overall.
- **Eurozone shares made gains**. Financial services companies, oil and gas businesses and real estate companies performed particularly strongly overall. Companies involved in essential consumer goods generally had a weaker performance.
- **Japanese shares rose**, despite the Bank of Japan announcing the end of negative interest rates.
- **Asian equities (excluding Japan) rose relatively modestly**. Taiwan, South Korea and Singapore performed particularly strongly, while Chinese equities rose modestly on signs the country's economy might be starting to pick up. Hong Kong, Thailand and Philippines markets performed relatively weakly.
- **Emerging market equities rose**, but were slightly behind global equities. Technology shares in Taiwan and South Korea generally delivered strong returns due to optimism about semiconductors and artificial intelligence (AI).

Bonds

- **Government bond prices rose in the US, UK and eurozone**, on investor expectations of interest rate cuts. Government bond prices often rise when interest rates fall.
- Corporate bond prices rose more strongly than government bonds, driven by strong company earnings.

Commodities

The Bloomberg Commodity index, a benchmark for investment in global commodities, rose in March, with a strong rise in the oil price. Cocoa prices were significantly higher due to rising demand and shortages in West Africa, where most of the world's cocoa beans are grown. Gold and silver prices also rose.

Outlook

We maintain our positive stance on equities and our neutral stance on government bonds, but we are cautious on corporate bonds. We continue to like equities as the economic growth environment is still relatively favourable. We are positive on equities globally, not just in the US, and note that equities outside the United States look well priced on key valuation metrics. But we have a neutral stance on UK equities. We maintain our positive stance on gold as it offers some protection should inflation prove harder to bring down consistently than investors expect.

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 March 2024.

Equities	🟢	We retain our positive stance on equities and continue to see global opportunities as valuations outside the US look relatively attractive.
Government bonds	🟡	We continue to expect interest rate cuts, and government bond prices often rise when interest rates fall. But there is uncertainty on the timing and number of cuts so we retain a neutral stance.
Corporate bonds	🔴	We have a cautious stance as corporate bond prices have recently risen more strongly than government bond prices.
Commodities	🟡	We are neutral on commodities but have a more positive view on gold, as it can provide some protection if inflation remains higher than expected.

	Legend
🟢	Positive outlook
🔴	Negative outlook
🟡	Neutral outlook

Source: Schroder Investment Management and Schroders Personal Wealth, 4 April 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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