

Review

- **Global equities (shares) were broadly higher** in February, with emerging markets performing more strongly than developed markets.
- **Prices of government bonds and high-quality (investment grade) corporate bonds fell** overall, meaning yields rose.
- **Prices of higher risk (high yield) bonds and emerging market bonds rose slightly**, meaning yields fell slightly.

Company shares

- **UK equities were broadly unchanged.** Machinery manufacturers, financial services companies and non-essential consumer goods companies generally performed relatively strongly, while essential consumer goods companies, real estate and raw materials companies performed relatively weakly overall.
- **US shares rose strongly**, supported by good results from some of the so-called Magnificent Seven group of very large companies. Non-essential consumer goods companies and machinery manufacturers performed particularly strongly.
- **Eurozone equities also rose.** Machinery manufacturers, non-essential consumer goods companies and information technology companies performed strongly overall. Real estate companies and companies providing amenities such as gas, electricity and water generally performed more weakly.
- **Japanese shares rose**, with export-oriented companies supported by a weaker yen.
- Share prices for **Asian equities (excluding Japan) generally bounced back** amid cautious optimism that the gloom surrounding China may be starting to lift. All markets in the MSCI Asian (excluding Japan) index ended the month positively, with China, South Korea and Taiwan performing particularly strongly.
- **Emerging market equities rose** in US dollar terms and performed more strongly than developed equity markets.

Bonds

- **Government bond prices fell** as investors reduced their expectations for immediate interest rate cuts due to a robust economic outlook and strong labour markets. Bond prices often fall when expectations for rate cuts are reduced.
- Bond yields rise when bond prices fall and the yield on US government bonds with 10-year expiry dates rose to 4.24 percent. The yield on the German 10-year bond rose to 2.40 percent.
- **Corporate bonds performed more weakly than government bonds.**

Commodities





The Bloomberg Commodity index, a benchmark for investment in global commodities, fell slightly in February. Falls in gold, silver and industrial metals were partially offset by price rises for oil, gas and livestock.




Outlook

Strong US economic data has driven our positive stance on equities and reduced our expectations of interest rate falls. We retain a cautious stance on corporate bonds as robust investor demand has supported their prices. And we maintain our positive stance on gold partly because it offers some protection against the risk of rising inflation towards the end of 2024. Overall we still expect moderate economic growth. The key question is whether positive economic news could spell bad news for markets if it hinders central banks from reducing interest rates.

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 February 2024.

Equities		We have moved to a positive stance on equities against the backdrop of unexpectedly strong economic data.
Government bonds		We remain neutral. Bond prices have fallen as investors reduced their expectations for interest rate cuts. But resilient economic growth could possibly lead to higher interest rates, so bond prices could decline further as they often fall when interest rates rise.
Corporate bonds		We remain cautious. We believe corporate bonds could be overpriced due to strong investor demand.
Commodities		Our positive outlook on commodities is due to our positive stance on gold, which, in turn, is partly due to its potential resilience should inflation rise.

Legend	
	Positive outlook
	Negative outlook
	Neutral outlook

Source: Schroder Investment Management and Schroders Personal Wealth, 7 March 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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