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MARCH 2024 MARKET REPORT

Economic commentary

In March, we learned that consumer prices in the UK had risen by 3.4% in the 12 months to February 2024, down from a January number of 4.0%. This was good news for the Bank of England, which has been keeping interest rates at relatively high levels in order to combat rising prices – but inflation is now edging closer to the Bank's 2% target. In its March policy meeting it voted to maintain UK interest rates at 5.25%, and some economists are predicting that it will feel confident enough about inflation to bring the rate down later this year. This would be welcome news for households and businesses by lowering borrowing costs against a backdrop of weak economic growth in the UK – predicted to be only 0.5%, according to the International Monetary Fund.

In the United States and the eurozone, inflationary pressures have continued to decrease, though recently slightly less quickly than in the UK. At its most recent meeting in March, the US Federal Reserve pencilled-in three cuts for this year, suggesting they expected inflation to continue along its bumpy path back to its own target of 2%. Mixed economic data since then has led many market participants to believe that rates will not get cut until after the US Presidential Election in November. For all these economies, material risks to inflation remain – notably from developments in the Middle East, especially those that could cause disruption to shipping through the Red Sea or affect energy prices.

Conversely, Japan enjoyed its first positive interest rates for 17 years in March – up to 0.1% from -0.1%. This economy has suffered with a different problem – both sustained low economic growth and low inflation. Recent stronger economic data gave the Bank of Japan confidence to make the increase.

Market commentary

All major regional stock markets enjoyed a strong March, and measured as a global aggregate they enjoyed a fifth consecutive month of gains. In the US, a few of the largest tech/e-commerce stocks, especially those linked to 'artificial intelligence', have been dubbed the 'Magnificent 7' by the press after having performed very strongly for many months. These stocks continue to reach ever-higher valuations (with some describing a 'market bubble'), but mask a wider market that is more mixed in its fortunes. In the UK, expectations of lower rates this year may have buoyed investors' spirits. In Japan, the historic change in interest rates has given investors confidence that the market may be entering a new era. Despite doing well last month, Chinese stocks had a more modest time, as key economic indicators in property, retail sales, and industrial output were weaker.

Many bonds – representing loans to governments and companies around the world – were positive in March, too, as investors realised that low-risk cash investments may not offer attractive rates for much longer.

In recent months, we have seen many markets behave choppily. Economic data has changed here-and-there, but long-term trends have not changed significantly, and investors are behaving mostly according to their future expectations rather than reality today. This is why we do not engage in economic predictions – most market participants get these things wrong most of the time – nor try to invest on this basis. We are happy to hold slightly less of the most expensive investments that may go on to disappoint hopeful investors – instead, we try to focus on the investments that look cheap today, avoid those that look too risky, and hold assets for the long term where we believe we will be rewarded.

	1m	3m	6m	YTD	1yr	3y pa	5y pa	10y pa
Equity Markets (£)								
UK	4.7%	3.6%	6.9%	3.6%	8.4%	8.1%	5.5%	5.8%
US	3.3%	11.4%	19.0%	11.4%	26.5%	14.3%	14.9%	15.4%
Global	3.3%	9.8%	17.1%	9.8%	22.3%	11.8%	12.7%	12.3%
Emerging Markets	2.3%	2.8%	5.8%	2.8%	4.5%	-3.0%	2.2%	5.3%
Europe ex UK	3.8%	7.1%	15.1%	7.1%	13.2%	9.4%	10.1%	8.5%
Japan	3.4%	10.9%	14.6%	10.9%	21.0%	6.1%	7.5%	9.3%
China	2.0%	-1.6%	-9.1%	-1.6%	-19.3%	-17.3%	-6.4%	3.5%
UK Smaller Companies	4.7%	0.6%	8.4%	0.6%	8.5%	-3.2%	1.1%	3.6%
Bonds (£)								
Sterling Corporate Bonds	2.0%	-0.6%	6.1%	-0.6%	4.6%	-3.7%	-0.9%	2.1%
Global High Yield (Hedged)	0.8%	0.7%	7.2%	0.7%	9.1%	1.3%	2.5%	2.8%
Global Bonds (Hedged)	0.9%	-0.4%	5.8%	-0.4%	2.9%	-2.9%	-0.5%	1.2%
Other (£)								
Global Listed Property	3.6%	-1.4%	9.9%	-1.4%	5.1%	1.8%	0.4%	
UK Listed Property	7.5%	-2.7%	15.6%	-2.7%	8.5%	-3.2%	-1.9%	1.1%
Physical Gold	8.5%	8.2%	15.5%	8.2%	9.7%	12.3%	11.9%	8.3%
Economic Data	At date	3m ago	6m ago		1y ago	3y ago	5y ago	10y ago
Sterling/Dollar Rate	$1.26	$1.27	$1.22		$1.24	$1.38	$1.30	$1.67
Bank of England Base Rate	5.25%	5.25%	5.25%		4.25%	0.10%	0.75%	0.50%
UK CPI YoY		4.0%	6.7%		10.1%	0.7%	1.9%	1.6%
US Unemployment Rate	3.8%	3.7%	3.8%		3.5%	6.1%	3.8%	6.7%
UK Unemployment Rate		3.9%	4.0%		3.9%	5.0%	3.9%	6.6%
Bond yields	At date	3m ago	6m ago		1y ago	3y ago	5y ago	10y ago
UK 10-Year Gilt Yield	3.9%	3.6%	4.4%		3.4%	0.9%	1.0%	2.7%
UK Corporate Bond Yield	5.3%	5.1%	6.3%		5.7%	1.9%	2.6%	3.9%

Data Sources: Data is at 29/03/2024. For the above asset class return data, we used passive funds to represent market returns, given that they represent an investible net-of-fee return achievable by an end client. Economic figures like unemployment and CPI rates may not have been available for latest month-end at the time of publication. All returns have been calculated by Fundhouse, with reference to data from Refinitiv, Morningstar and the Bank of England. This content cannot be distributed without the consent of Fundhouse.

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