

WEEKLY MARKET COMMENTARY

Week ending 8 March 2024

Welcome to our weekly market update. Our focus is on providing clear, concise insights into stock and bond market movements and the broader economic landscape.

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This week's highlights

- **Late market movement:** Equities bounced back on Thursday after good news in the US and Europe.
- **The impact of upcoming data:** US employment and CPI data will likely influence timing of rate cuts.
- **A strong start to 2024 for US stocks:** NVIDIA, Meta and Amazon drive growth in US index this week.

Market review

After a shaky start to the week, equities rallied in the second half, with major US and European indices reaching new all-time highs. This was driven by positive messages either side of the Atlantic about the likelihood of interest rate cuts. As anticipated, the European central bank held policy rates at 4%. The good news was 2024 inflation forecast reduced to 2.3%, down from 2.7% in December as President Lagarde (President of the European Central Bank) acknowledged a 'definite slowdown' in consumer prices.

The US Fed added to the optimistic news seen in Europe by telling lawmakers that the US central bank 'can and will begin' easing rates this year. They did however highlight the risk of cutting rates too late. The US employment and Consumer Price Inflation (CPI) data releases are on the horizon, which will likely play a key role in their timing.

There's opposite thinking for the central bank in Japan, their policy makers and politicians have hinted at exiting negative interest rates. This would mean a hike in rates for the first time since 2007. If they do make the leap, it's likely they'll proceed with caution thereafter.

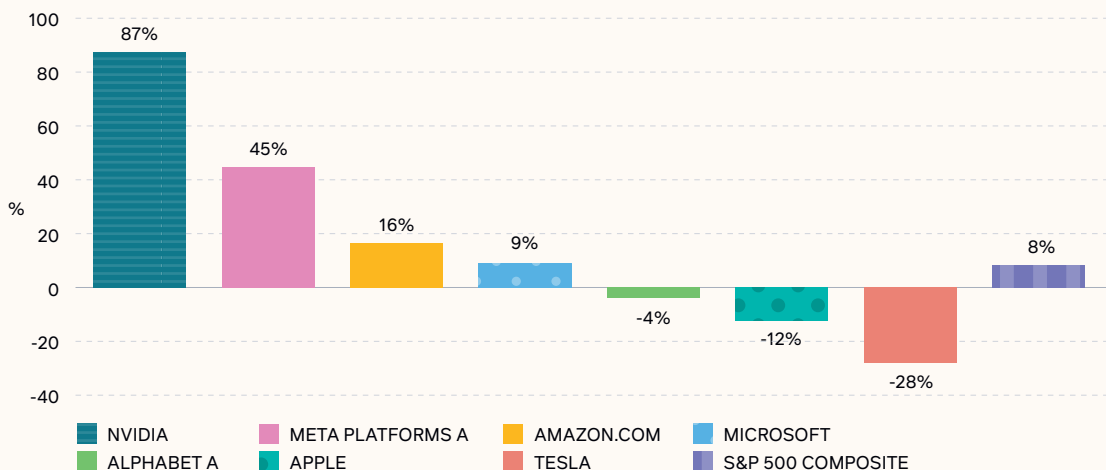
Outlook

Monetary policy could be eased by central banks in the second half of 2024 – employment, activity and inflation data will be at the core of their decision making. As for economies, the US is looking strong. However, other regions, such as the Eurozone, face more challenging conditions which could disrupt the desired path to a cycle of rate cuts.

Chart of the week

'Magnificent 7': acceleration of these stocks increases US Index

Often referred to as the 'Magnificent 7', mega-cap US 'tech' companies (defined as having a market capitalisation of \$200bn or higher), drove a large proportion of the index level return in the US this last week. NVIDIA being the clear front-runner in this. Yet in 2024, there's clearly more separation between the outperformers than those such as Apple and Tesla than was seen in 2023. This dispersion is likely related to Artificial Intelligence (AI) exposures, with the high performers showing upgraded expected earnings for 2025 as a result.



Source: LSEG Datastream and MAPM (M&G Investment Office). 07/03/2024

What this means for you

The recent trends in equity and bond markets alongside inflation data and central bank policies highlight the complex and ever-changing nature of the financial landscape.

With US markets reacting to the accelerating growth of the outperformers within the 'Magnificent 7', it's a reminder of possibilities in short-term market performance. Additionally, other patterns can be seen elsewhere across the globe with Japan hinting at an earlier increase in interest rates.

These developments reinforce the value of maintaining a well-diversified, long-term thinking to your investment approach rather than reacting to market swings. By staying committed to carefully considered plans, investors can navigate through periods of volatility and uncertainty.

Need help?

If you have any questions in relation to this document, please discuss them with your financial adviser.

