

Global Market Focus Monthly



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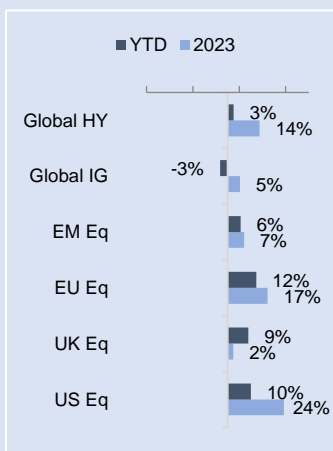
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Headlines

- America's largest technology companies prop up the US economy and push the equity markets to new all-time highs.
- Europe comes out on top as it simultaneously tackles inflation and increases economic output.
- The UK economy bounces out of its short-lived recession.
- As the property developers' party comes to an end, the Chinese Communist Party raises billions to support government projects.

Asset Class Return



Market Watch

	Level	YTD	1 month	5 days	Div. Yield	Volatility	P/E	
S&P 500	5,247	10.00%	3.65%	1.14%	1.37%	13.34	25.09	
Nasdaq 100	18,323	8.90%	3.48%	1.28%	0.83%	18.67	33.83	
Dow Jones	39,558	4.96%	4.83%	1.73%	1.83%	11.37	23.23	
FTSE 100	8,428	8.99%	5.81%	0.89%	3.76%	10.23	14.91	
Eurostoxx 50	5,080	12.36%	1.92%	0.84%	3.03%	12.31	14.78	
DAX	18,716	11.73%	3.83%	1.18%	2.93%	13.27	15.62	
CAC 40	8,226	9.05%	2.25%	1.16%	2.93%	10.72	14.28	
SMI	11,784	5.80%	3.41%	2.35%	2.96%	13.33	19.61	
Nikkei 225	38,386	14.71%	-2.16%	0.48%	1.69%	19.39	26.53	
Hang Seng	19,074	11.89%	14.90%	3.22%	3.91%	21.27	10.70	
CSI 300	3,627	5.70%	2.18%	-0.10%	2.68%	14.48	14.16	
WTI Crude Oil	78.55	9.63%	-8.03%	-0.56%				
Gold	2,360	14.39%	-0.99%					
Bitcoin	61,991	45.83%	-1.84%					
GBP / EUR	1.16	-0.82%	0.72%					
GBP / USD	1.26	-1.06%	1.21%					
GBP / CHF	1.14	-6.02%	-0.50%					
					Base Rate	1 mth	12 mth	
					GBP	5.25%	5.21%	4.87%
					EUR	4.00%	3.83%	3.65%
					USD	5.50%	5.32%	5.16%
					CHF	1.50%	1.46%	1.85%

As at 15/05/24

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"It's unbelievable, an answer machine like nothing I have ever seen. I'd say 90% of my searches are on Perplexity...It's a land grab right now" 07/05/24, Stanley Druckenmiller, Billionaire Investor on Perplexity and the wider AI landscape.

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United States



US Inflation: The US Consumer Price Index (CPI) fell to 3.4% Year-on-Year (YoY) in April 2024, a small albeit welcome fall from the previous month which saw inflation rise to 3.5% YoY.

FED: Once again, the Federal Reserve's Federal Open Market Committee (FOMC) kept interest rates at 5.25% / 5.50% on May 1st, having been at this level since July 2023. The latest economic data has prompted some economists to raise the possibility of a rate hike before the year is out. Although highly unlikely, this cannot be completely ruled out.

US Data: The initial figure for US Gross Domestic Product (GDP) YoY growth rate for the first quarter of 2024 came in at a surprisingly low 1.6%, versus expectations of 2.5%. As often happens, this figure may be adjusted, upwards or downwards, in the second or third calculation. However, the unemployment rate appears to confirm the US's slower growth rate, having ticked up to 3.9% in April 2024.

Earnings: As of 10th of May, 92% of S&P 500 companies had reported Q1 results, with 78% of firms surpassing Earnings Per Share (EPS) forecasts, resulting in a blended YoY EPS growth rate of 5.4%, as per FactSet's latest Earnings Insight. However, excluding the seven largest technology companies (the so-called "Magnificent 7"), EPS growth would be negative at -2.4%! The main culprits contributing to this decline are Bristol Myers Squibb and Pfizer, both active in the health care sector and which no longer benefit from the mega profits generated during the Covid-19 pandemic.

Europe



Eurozone Inflation: Eurozone inflation continues its downward path, with April YoY Core CPI (excluding food & energy prices) falling another 20 basis points to 2.7%, getting ever close to the official 2% target.

ECB: The Euro base interest rate remains at 4.00%, given that the European Central Bank has not held a monetary policy meeting since 11th April 2024. The next meeting is scheduled on 6th June 2024.

Eurozone Data: The Eurozone appears to have finally come out of the doldrums, generating 0.3% GDP growth in the first quarter of 2024, despite a consistently high unemployment rate of 6.5%.

United Kingdom



UK Inflation: Despite dropping 20 basis points in March to 3.2%, the market expected the YoY UK inflation rate to drop to 3.1%. Core inflation was even higher at 4.2%, demonstrating that there is still a long way to go before price increases stabilise at a sustainable rate of 2% per annum.

BOE: The Bank of England kept the base rate at 5.25% at its latest interest rate-setting meeting held on 9th May, a position justified by the persistent inflation and the latest economic growth.

UK Data: The UK posted GDP Quarter on Quarter (QoQ) growth of 0.6% in the first quarter of 2024, better than the forecast 0.4%, and a vast improvement on the -0.3% posted in Q4 of 2023. As such, the UK economy is no longer in recession.

Japan: On the back of the revised Q4 GDP figure from -0.1% to +0.1%, the Japanese economy did not, in fact, technically fall into recession at the end of last year. The Bank of Japan raised interest rates in April to 0.10% from the -0.10% level which has been in place since 2016, to counter the weak Yen.

Emerging Markets



China: China initiates its plan to sell one trillion Yuan (\$140bn) of long-term sovereign bonds with maturities of 20, 30 and 50 years to fund major projects, including the possibility of purchasing unsold properties.

India: India opens three new semiconductor manufacturing plants valued at \$15 billion, expanding its vision to transform into a semiconductor hub, and stoking further economic growth.

Oil: The Organisation of the Petroleum Exporting Countries (OPEC) production fell by 48,000 barrels per day (bpd) in April from the previous month. Additionally, the International Energy Agency (IEA) lowered its 2024 forecast by 140,000 bpd to 1.1 million bpd citing weaker global demand.

Crypto: Bitcoin traded sideways over the past month as the euphoria over the halving subsided.

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United States



View

Equities

View

Fixed Income

The S&P 500 and Nasdaq indices have recovered their recent lost ground and continued their upward path, pushing us to remain neutral. The S&P 500's 12-month forward P/E ratio now stands at 20.4 times, hence above the 5-year and 10-year average of 19.1 and 17.8 times respectively.

Inflation in the US remains too high despite the latest slight respite. As a result, there is still low visibility on the timing of any interest rate cuts. We remain overweight and continue to prefer investment-grade credit over high yield debt.

Europe



We stick to our neutral stance on European equities. Despite the rise in the European stock indices over the past month, valuation multiples remain reasonable and at a discount to the US.

The European Central Bank may well cut interest rates by 25 basis points at its next meeting in June given the ever-decreasing inflation. Further cuts later in the year are plausible given the high unemployment figure and low growth. Hence, we remain overweight.

United Kingdom



The UK FTSE 100 index reached a new all-time high on the back of Merger & Acquisition activity, with targets including the miner Anglo American, AI company Darktrace and IDS plc, the owner of Royal Mail. We remain neutral.

The recent uptick in the growth of the UK economy, combined with the fall in inflation all contribute to support the UK fixed income space. High yields and the prospect of an interest rate cut before year-end also add to the appeal. We remain overweight.

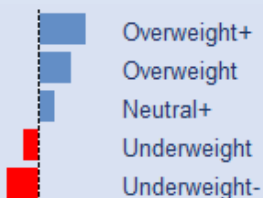
Emerging Markets



We remain underweight in Emerging Market equities. The fallout in Chinese property still hasn't been absorbed by the market, leaving an overhang on the entire region.

The United States' tariffs on Chinese electric cars, solar cells and steel & aluminium imports do not bode well for China, which is already struggling with numerous internal economic challenges. We remain underweight and avoid emerging market debt.

Other Markets



Gold: Gold prices held steady over the past month as inflation recedes.

Oil: Oil prices fell as ever more renewable energy comes online.

GBP/EUR: GBP/EUR remains range bound as the economic data converges.

EUR/USD: EUR gained against the USD on the back of the Eurozone's improving macro-economic data.