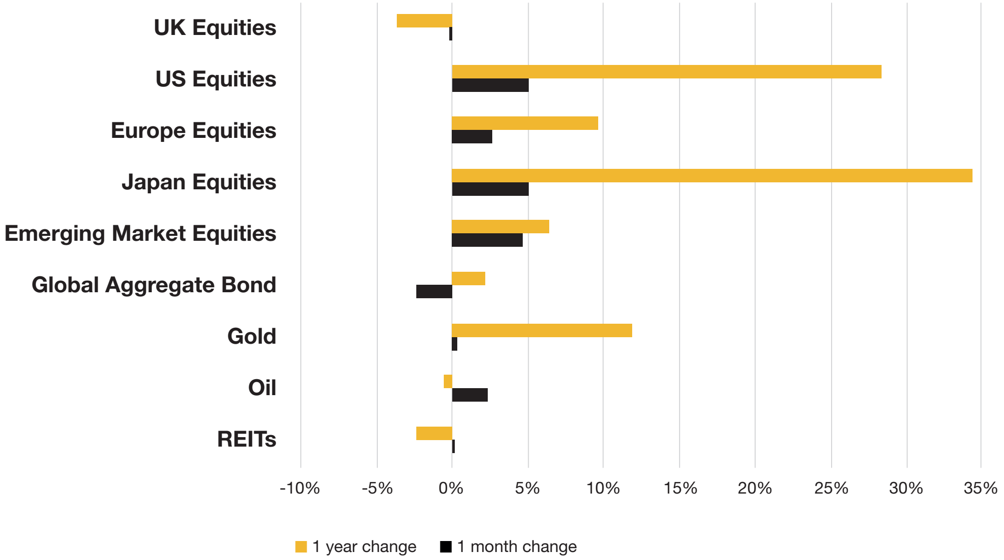
February 2024 Overview

A quick recap...

- **Fuelled by robust** economic data, global markets achieved positive performance for the fourth consecutive month in February, delivering a 4% overall gain for Sterling investors. The standout performers were US stocks (+5.1%), led by the 'Magnificent Seven' tech giants and notably Nvidia, propelled by significant interest in AI.
- **Japanese stocks continued** to perform well while Emerging Markets stabilised after a weak period. The UK however fell 0.2% over the month as the economy continued to struggle and companies looked to switch exchange listings to better performing markets elsewhere.
- **Buoyed by improved** economic data, expectations for interest rate cuts have shifted backwards, with commentators now speculating cuts will not happen until the latter half of 2024. As a result, bond yields once again climbed over the month, with 10-year yields rising by 0.33% and 0.34% in the UK and the US, respectively.

Assets in focus...



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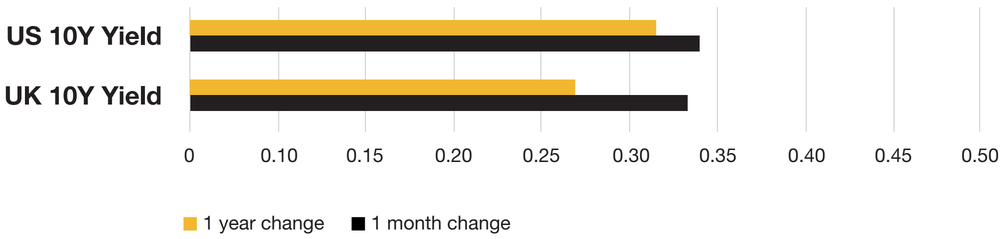
Bond yields...



Areas to watch...

- **The impacts of** the AI boom are set to become clearer with a surge in spending on data centres and processing power expected to pay dividends as companies scramble to keep up.
- **A US government** shutdown is back on the cards in March with lawmakers locking horns over the budget, amid an approaching Presidential election.
- **Chinese economic data** remains lacklustre, with lawmakers set to announce growth targets which could be amongst the most challenging in recent years.

News...

‘Modest’ room for manoeuvre in the UK...

- **Consumer Price Inflation** dropped to -0.6% MoM in January with the core reading also softening as prices cooled faster than expected after a strong December reading.
- **Public Sector finances** improved, with revenue exceeding spending by a record £16.7bn in January, providing the Chancellor with some modest room to manoeuvre in the impending Budget.
- **The Composite PMI** rose to a nine-month high of 53.3 in February (from 52.9) as stronger consumer spending boosted the services sector despite manufacturing weakness continuing.

The political point-scoring begins...

- **Consumer Price Inflation** dropped to 3.1% YoY while the core CPI reading remained steady at 3.9%, with both readings coming in above expectations as the economy remained firm.
- **Congress passed a** short-term funding bill to keep government agencies open through mid-March, as both sides aim to score political points as the Presidential election approaches, but with a government shutdown looming once more.
- **The ISM Manufacturing Index** dropped back to 47.8 in February (from a 15-month high 49.1) indicating a modest contraction in output as the sector struggles to gain momentum.

China manufacturing contraction persists...

- **Consumer Price Inflation** dropped at the fastest pace in 15 years, coming in at -0.8% YoY in January after -0.3% in December, amid weak underlying demand.
- **The People's Bank** of China cut a key five-year lending reference rate by a record 0.25% to 3.95% to shore up mortgage demand as the property crisis continued to drag on growth.
- **The official PMI** indicated a fifth straight month of manufacturing contraction, coming in at 49.1 in February, although the Services PMI showed improvement on the previous month rising to 51.4 from 50.7.

Eurozone inflation reading alleviates concerns...

- **Eurozone CPI Inflation** dropped back to 2.8% YoY in January, with the core reading falling -0.9% MoM, alleviating concerns after an unexpected rise in inflation readings in December.
- **EU Natural Gas** prices dropped to the lowest level since 2021 as warm weather combined with robust supplies from newer sources, with cost pressures continuing to alleviate.
- **The Composite PMI** rose to an eight-month high of 48.9 in February, from 47.9 the month before, a still-weak reading but with the service sector showing signs of recovery and offsetting ongoing weakness in the manufacturing sector.

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And finally, elsewhere...

- **Bitcoin surged 43.7%** over the month and approached an all-time high, as interest in the digital asset continued to rise amid the approaching launch of a range of ETFs.
- **The Japanese Nikkei 225** index breached its all-time high, 34 years after the previous record peak in 1989, as imported global inflation finally appears to have taken the economy out of its deflationary slump.

Source: Fundment

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