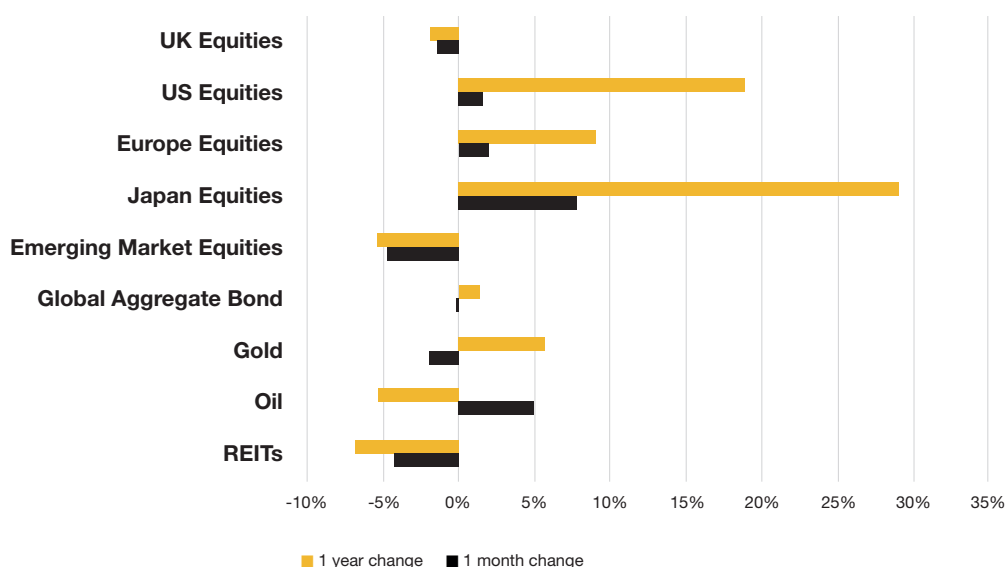


January 2024 Overview

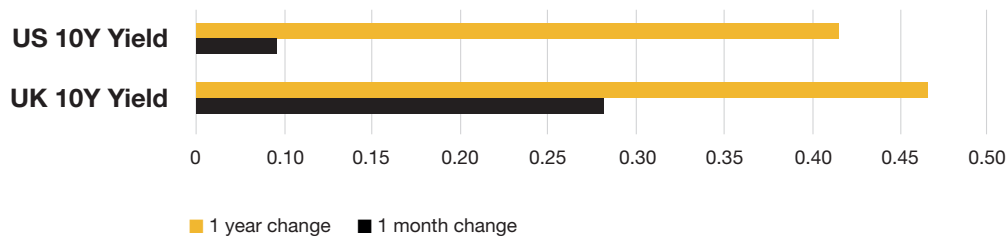
A quick recap...

- **Global markets produced a third** consecutive month of gains, rising 1.6% (GBP). Several data releases indicated the ongoing robustness of the US economy, contrasting with China's challenges.
- **Japanese equities top-performed** in January with 7.8%, assisted by a depreciating Yen. However, the Hang Seng index of Chinese enterprises listed in Hong Kong is the worst-performing major benchmark globally this year (down 9% year-to-date) as global investors continue to show caution on Chinese growth.
- **Inflation levels unexpectedly** picked up in the US, UK and Eurozone, pushing back expectations for rate cuts. Government bonds responded, with UK 10-year rates rising 0.26% over the month, while US rates rose 0.05%. Real estate stocks struggled (likely influenced by higher rates) while energy prices rose on a firmer demand outlook.

Assets in focus...



Bond yields...



Areas to watch...

- **Recent inflation data points** to a slowdown in the rate of decline as growth persists, but expectations remain that rates will drop soon.
- **Geopolitical tensions remain** elevated, particularly in the Middle East, where the US is expected to strike Iranian targets in the coming weeks in retaliation to attacks on US positions.
- **The liquidation of China Evergrande** - at one time China's largest property developer with \$300bn in liabilities - has increased concerns around domestic growth and financial stability.

News...



'Room for manoeuvre' in the UK...

- **Price rises in the run-up** to Christmas saw the Consumer Prices Index (CPI) rise to 4% (yoy) in December (3.8% in November) - the first rise in 10 months.
- **Public sector borrowing** dropped to £6.85bn in December (beneath expectations and last December's £13.41bn) - opening a little room for manoeuvre in the forthcoming Budget.
- **The Composite PMI rose** - to a seven-month high of 52.5 in December as the Services sector rallied. Manufacturing confidence softened slightly amid shipping delays.



The US can handle higher rates...

- **CPI inflation rose** to 3.4% in Dec - the highest in three months - while the Core reading also came in ahead of expectations as price pressures remained firm.
 - **Q4 GDP grew** at a 3.3% annualised pace (ahead of 2% expectation), indicating economy can handle higher rates.
 - **Nonfarm payrolls** grew at nearly double the expected rate in January, with 353,000 new jobs created in the economy.
-



China misses expectations...

- **Retail sales dropped** to 7.4% from 10.1% year-on-year - missing hopes of an 8.0% expansion. House prices fell at their fastest pace since 2015 (a 0.4% year-on-year decline).
 - **The GDP deflator** (a broad measure of prices) fell 1.5% in Q4 2023, dropping for three straight quarters for the first time since 1999, as nominal growth remained lacklustre.
 - **Regulators announced** a 0.5% cut in the Reserve Requirement Ratio of banks, releasing 1 trillion yuan (\$139bn) of liquidity to markets to shore up confidence.
-



Europe just avoids Q4 recession...

- **Eurozone CPI Inflation** rose to 2.9% year-on-year in Dec (2.4% in Nov), with rapid wage growth pressuring Services sector prices (though the Core reading remained steady at 3.4%).
 - **GDP eked out** 0.1% growth in Q4 as the Eurozone narrowly avoided a recession, with weakness in the German economy offset by stronger growth in Italy and Spain.
 - **The Composite PMI** rose to a six-month high of 47.9 in January (from 47.6), with output declining but manufacturers seeing a recovery in new orders levels after a period of quiet.
-

And finally, elsewhere...

- **Houthi rebels continued** attacks on shipping in the Red Sea, damaging global supply chains as lead times and shipping rose for a range of goods and oil to Europe and the US, eliciting a series of military strikes from the UK and US.
- **The Bank of Japan** retained its key rate at -0.10%, a rate it has held since 2015, in an attempt to kick start the economy out of low inflation. However, signs emerged that hikes are being considered as inflation remained robust.

Source: Fundment

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