Monthly Commentary 2nd of May 2024

A 5-month rally in global equities, with positive monthly returns, has ended. Global equities fell hard in April – a move that in large part is due to markets expecting interest rates to remain higher for longer, especially in the US. The S&P 500, MSCI Euro and Nikkei 225 Index all ended lower for the month with losses of 4.16%, 2.9% and 4.86% respectively. Against the trend, the UK equity market posted gains of 2.41%, though the size and global significance of the UK market are both tiny. Global bonds retreaded meaningfully by 1.75% in April after Central Banks kept rates steady for longer. High interest rates also helped the dollar index (DXY) maintain its upward trend against other major currencies, gaining another 1.66% for the month. Bitcoin on the other hand, dropped by 15%. Gold continued higher with a 2.53% gain while crude oil was down 1.25%.

Can UK Stocks be back in Fashion?

UK stocks have had lackluster performance against most major developed market equity indices and for good reason. During the last year, the S&P 500 and MSCI Europe outperformed the FTSE 100 by 15% and 4% respectively. One of the reasons is the composition of the UK market. Rich in energy and value stocks but lacking growth technology stocks, the UK equity market failed to participate in the Artificial Intelligence hype that boosted most technology stocks in 2023. Nor was it able to benefit from the surge in luxury stocks.

In the last three months we have seen a different picture with the FTSE 100 outperforming the S&P500 and MSCI Euro Index by 6.5% and 2.6% respectively. Rising commodity prices, a pick-up in UK growth and low valuations are tempting some investors back to London-listed equities. A weaker pound has been an additional tailwind, boosting some of the profits FTSE-100 companies make abroad. Barclays estimates that about 75% of the revenues of FTSE-100 companies are generated overseas. Higher energy prices are adding to the positive mood for the resources-heavy FTSE-100, with oil prices up this year. Time will show whether UK equities can keep up with their peers.

Equity-specific News

In the below page we provide the latest on three stocks we widely own in our portfolios. AstraZeneca, BNP Paribas and Visa all gained on positive news reinforcing our strong belief in them as quality long term holdings.

AstraZeneca Surges as Cancer Medicines Fuel Profit Gains

- Revenue spiked in the first quarter, surpassing expectations
- Shares have biggest gain in more than 3 years after results

By Ashleigh Furlong

(Bloomberg) -- AstraZeneca Plc shares surged after the UK drugmaker reported profit that outpaced expectations, buoyed by demand for its cancer blockbusters Imfinzi and Tagrisso as well as newcomer Enhertu.

Earnings per share excluding some items rose 7% to $2.06 in the first quarter, the UK drugmaker said Thursday. Analysts surveyed by Bloomberg expected $1.89 on average.

Astra has been on a deal spree, agreeing to buy Fusion Pharmaceuticals Inc. and Amolyt Pharma in March to beef up the flow of drugs it aims to bring to market. The shares rose as much as 6.5% in early London trading, the most in more than 3 years.

BNP Rises as Earnings Beat Supports 2024 Outlook: Street Wrap

By Jenny Che

(Bloomberg) -- BNP Paribas shares gain as much as 2.3% after a beat on net income overshadowed a miss in FICC sales & trading division. KBW analysts say it was "a good set of results" and supports the bank's 2024 targets.

ANALYSTS COMMENTARY

Jefferies (buy)

- Though investors may "nitpick" the CIB performance with another FICC miss, on a profit before tax basis FICC was still up 86% quarter over quarter – better than US peers
- Says benefits from incremental cost savings program of €400m to take effect from 2Q

Visa's stock gains after earnings, as one simple message resonates

By Emily Bary

(MarketWatch) -- CFO cheers stable trends: 'We haven't really seen changes in consumer-spending patterns between high spend and low spend'

Visa Inc.'s stock gained in after-hours trading Tuesday, after the payments company sported an earnings beat and showed off continued growth in spending.

Payments volume for the quarter increased by 8%, while processed transactions grew 11%. The company logged a 16% boost in cross-border volume, which occurs when transactions are made between merchants and customers based in different countries.

Visa's (V) message of spending stability seemed to resonate with investors, especially as some had been concerned prior to the report that the payments company might not maintain its full-year outlook.

Additionally, our large allocations to Microsoft, Alphabet, Amazon and Nvidia have helped propel our Best Ideas portfolios. We do not see any reasons for these allocations to change.

The Elgin Analysts Team

Disclaimer

The information in this article should neither be regarded as an offer nor a solicitation to buy, sell or otherwise deal with any investment referred to herein. As a regular rule, the value of any investment may rise or fall. Past performance is not an indicative of future results. Do not take unnecessary risk and always request advice from an investment professional before undertaking any investment.