



## Monthly Commentary 2<sup>nd</sup> 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?

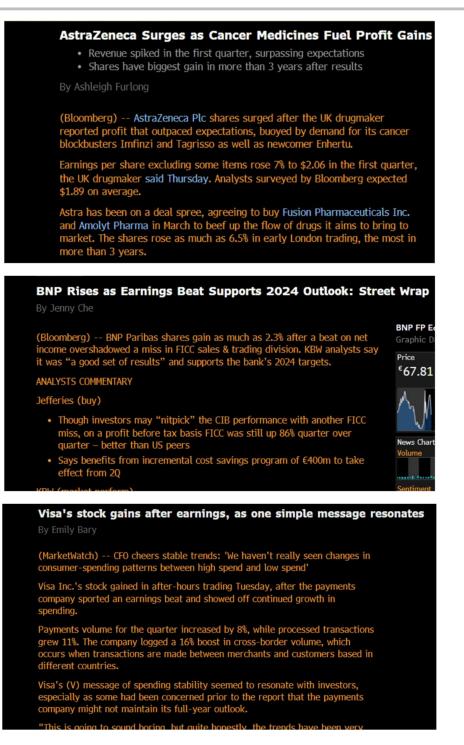
UK stocks have had lackluster performance against most major developed market equity indices and for good reason. During the last year, the S&P 500 and MSCI Europe outperformed the FTSE 100 by 15% and 4% respectively. One of the reasons is the composition of the UK market. Rich in energy and value stocks 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.





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



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