

Monthly Commentary 3rd of May 2022

April was a horrible month for both equities and bonds. World equities, as measured by MSCI World was down 8.1% (in USD terms), while the Bloomberg Global Aggregate Total Return Bond Index was down a massive 5.5%. The dollar had a very strong month, up more than 4.7%, with the Japanese Yen dropping an unprecedented 11.4% in the month! The euro and sterling also fell hard. Commodities bucked the trend, rising 4.4%, though gold and silver both fell. Finally, Bitcoin confirmed its recent correlation with risk assets and fell 16.2%

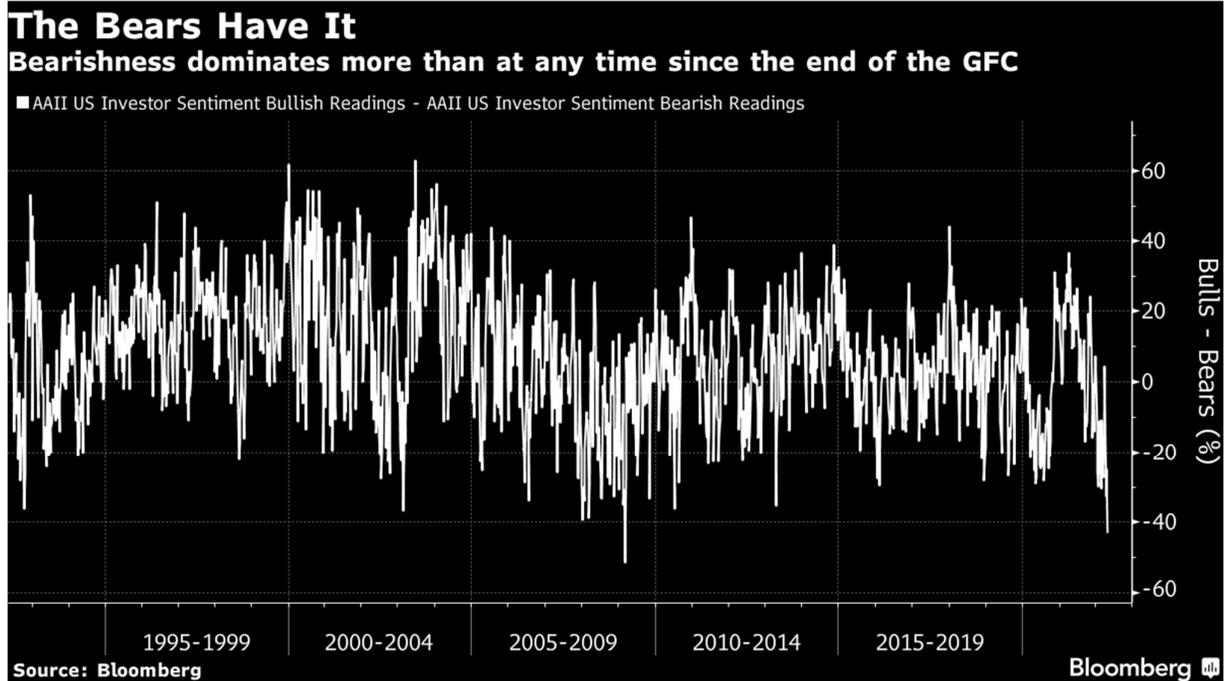
Where are we and where are we going?

It's not every April that the US main equity benchmark, the S&P 500 drops 8.8%. In fact, it was the worst loss since 1970. That's 52 years! And global bonds had their worst month in 32 years, at odds with the "safe haven" status of bonds.

It would be easy to conclude that with so much bad news, why wouldn't markets fall so much? After all, surging inflation, huge supply chain issues, rising interest rates, a war in Europe, lockdowns in China, high levels of government debt, a worsening climate crisis etc, are all too much for the markets to ignore. Is it then time to throw in the towel and sell?

We wish we knew. Very few portfolios worldwide are having much joy this year and ours are no exception. Yet, it is our opinion that it still does not make sense to time the markets by selling now and trying to get back in. Such a strategy is bound to fail. As long as an investor's horizon is medium to long term, and assets are high quality, then it makes sense to ride it out.

If there is a silver lining today it is the extremely negative sentiment that individual investors currently display. The chart on the next page shows that investors have not been this bearish since March 2009, which coincided with the bottom of the market following the global financial crisis. Of course, it would be naïve to assume that history will repeat itself, but sentiment readings are often a credible contrarian signal.



Communication

If any of you would like to communicate with us or have any specific concerns, please contact your advisor or us directly at pmt@elginamc.com . If you need to talk to one of us, we shall be happy to oblige and can set up a call.

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