Cantor Fitzgerald Strategy & Outlook

MARKET UPDATE

Global equites suffered their worst month of the year in April, declining by 2.3% in euro terms due in part by the realisation that interest rate cuts in the US may appear to be a more distant prospect then initially assumed. Unexpectedly hot economic data in April increased US government bond yields by over 40 basis points while the US dollar strengthened to a 6-month high against a basket of 6 major currencies. The euro, on the other hand, weakened against the dollar as it becomes increasingly likely that the ECB will diverge from the Federal Reserve and reduce rates within the next couple of months (the probability of an ECB rate cut by July is currently at 100%).

April's turbulence was driven by a mix of economic data from the US that pushed US government bond yields to 2024 highs and saw US benchmark indices falling after five consecutive months of gains. The March Inflation print was slightly higher than expected at 3.5% vs an expected 3.4%, a slight gain, but down from over 9% in 2022. The past couple of months of disappointing inflation prints are possibly due to statistical noise: the Federal Reserve Bank of New York's underlying inflation measurement (Multivariate Core Trend of PCE) attempts to strip out much of this noise and states that inflation is, in fact, hovering around 2.6%, down from 2.7% a month prior, and much closer to the Federal Reserve's 2% target than the CPI figures suggest.

GDP growth was also weaker than anticipated in Q1, with the US economy expanding by an annualised 1.6%, down from 3.4% in Q4 2023. On a positive note, though, the unemployment rate fell slightly to 3.8%, but signs that the labour market may be beginning to weaken are becoming apparent - with early May data pointing to a slowdown in job growth. It is worth noting that despite inflation not yet having hit the 2% target, the dual mandate held by the Fed may very well see softening conditions in the labour market as the key driver of interest rate cuts soon. Despite the slight uptick in CPI, and considering the lagged effect inherent in monetary policy, it is unlikely the Fed will hold rates at this level for as long as many believe, especially if labour conditions really do begin to weaken further.

April also ushered in the beginning of earnings season, with about 77% of companies reporting EPS above estimates. In addition, 8 out of 11 sectors are reporting year over year earnings growth, led by the communication services, utilities, information technology, and consumer discretionary sectors. Conversely, healthcare, energy, and materials have all reported year over year declines in earnings. The positive results so far this earnings season bode well for the performance of our funds going forward and underlines the optimistic outlook we hold for equity markets in 2024.

The multi asset funds have remained invested towards the upper end of their growth asset ranges throughout April. Our decision earlier in the year to significantly reduce our exposure to technology names has paid dividends in April, allowing us to add to our digitalisation theme (AI) after the recent pull back in certain technology stocks seen during the month. On a sector level, our largest position remains industrials (specifically stocks exposed to electrification) followed closely behind by financials (primarily banks with strong cash return stories). As we enter May, we remain very optimistic about the potential for growth assets throughout 2024 - the economy currently remains resilient and central banks are still expected to begin cutting rates soon (despite the recent mixed data from the US), both of which should act as strong tailwinds for earnings growth throughout the rest of the year.

Want to talk to us about investments?

T: +353 1 670 2500 | **e:** CFAMEinfo@cantor.com | **www.cantorfitzgerald.ie** | Cantor Fitzgerald House, 23 St Stephen's Green, Dublin 2.