CANTOR Fitzgerald

Cantor Fitzgerald Strategy & Outlook

MARKET UPDATE

Global equity markets had a strong May, rising 2.4% in euro terms and rebounding well after a disappointing April, with the US market in particular driving global indices to all-time highs. Resilient US economic data, helpful Inflation prints, strong earnings from technology names in the US and an impending rate cut in Europe all combined for a solid month. The multi asset funds outperformed this strong backdrop, returning 3.8% during the month, mainly driven by the outperformance of some key single stock holdings in our Alternative Investment fund and our exposure to copper.

All eyes are on the ECB over the next couple of weeks, with the blocs first rate cut fully expected in June, solidifying their divergence from the Fed in the US and following Canada, Sweden and Switzerland in cutting rates. In May, wage growth in the eurozone continued to moderate despite activity recovering as headline and core inflation accelerated to 2.6% and 2.9% YoY respectively. Despite this slight uptick, slowing inflation over the last few months has allowed the ECB's governing council to signal a high degree of confidence that their first rate cut since 2019 will happen, even if the path thereafter remains somewhat less clear at this stage. Regardless, the trend suggests inflation will continue to moderate and should proceed on course to hit the ECB's target rate of 2% eventually, allowing the ECB to continue to cut rates over the proceeding months.

With roughly half the worlds population heading to the polls in 2024 – and with elections in Europe and the UK set for June and July respectively, the potential for summer volatility is increasing. The UK general election on July 4th may well see the Labour party in power for the first time in well over a decade. In the US, Trumps conviction adds yet another layer of complexity around the US election as the perception of a Biden victory would perhaps be taken unfavourably for markets, at least initially, while in Europe - a swing to the far right in the European elections may damage the blocs attempt at a green transition and hamper military aid to Ukraine, negative news for renewable and defence names. The recent political developments in France are of grave concern.

The multi asset funds have remained invested towards the upper end of their growth asset ranges throughout May. Our belief of the value on offer in certain parts of the UK market was vindicated as one of our main financial holdings, Hargreaves Lansdown, was bid for during the month. The ongoing boom in electrification capex saw two of our key European industrial holdings drive outperformance for the funds too. Stock additions in April paid immediate dividends in May with US semi-conductor overweight's also driving some of the outperformance. Digitalisation, especially in the form of AI end market trends is accelerating. The largest overweight positions within the portfolio remain Industrials (especially those exposed to electrification) and Financials (based off the unprecedented cash return story they are facing ahead). Within technology, overweight semiconductors and underweight software continues to drive significant relative outperformance for the funds. Central banks continue to be a tailwind for equity markets. The speed of the rate cuts will be constantly debated and will determine sector and stock leadership, but the direction of travel is clear. Election uncertainty and the associated cross asset volatility is however beginning to rise and may cap short term returns over the notoriously illiquid summer months. We will take this into account as we decide how to manage our risk over the next few quarters.

CANTOR Fitzgerald

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.